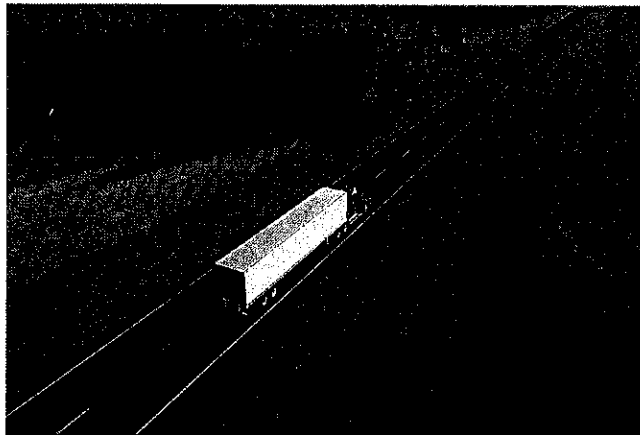


SACRAMENTO METROPOLITAN



SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

PROPOSITION 1B: GOODS MOVEMENT EMISSION REDUCTION PROGRAM



LOCAL PUBLIC ENTITY PROJECT APPLICATION

HEAVY-DUTY DIESEL TRUCK SOURCE CATEGORY

AUGUST 7, 2015

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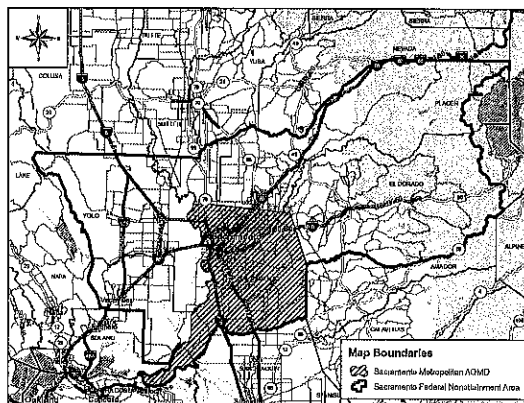
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General Local Agency Information

The Sacramento Metropolitan Air Quality Management District (SMAQMD) is the local air quality agency within the boundaries of the County of Sacramento in the State of California with the primary responsibility for the development, implementation, monitoring, and enforcement of air pollution control strategies, clean fuels programs, and motor vehicle use reduction measures, and shall represent the citizens of the Sacramento district in influencing the decisions of other public and private agencies whose actions may have an adverse impact on air quality within the Sacramento district.

The overall mission of the SMAQMD is to achieve clean air goals by leading the region in protecting public health and the environment through innovative and effective programs, dedicated staff, community involvement, and public education. The work of the SMAQMD involves interaction with local, state and federal government agencies, the business community, environmental groups, and private citizens.

The Sacramento Federal Nonattainment Area (SFNA), including the SMAQMD, Placer & El Dorado County APCD (excluding the Lake Tahoe Air Basin), Yolo-Solano AQMD, and Feather River AQMD (southern Sutter County), is currently classified as Severe Nonattainment of the federal 8-hour ozone air quality standard and classified as Nonattainment under the federal PM_{2.5} 24-hour standard. A map of the SFNA is located in Appendix A.



The SMAQMD is governed by a fourteen-member Board of Directors composed of:

- All five Sacramento County Supervisors,
- Four members of the Sacramento City Council,
- One member representing each of the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and
- One member representing the Cities of Galt and Isleton.

The Board reviews and approves all SMAQMD rules, programs and budgets.

The Executive Office of the SMAQMD includes the Air Pollution Control Officer (APCO) / Executive Director, who is responsible for management of the SMAQMD, the District Counsel, and legislative liaison.

The SMAQMD is organized in four divisions:

The Administration Division provides fiscal oversight of the SMAQMD's programs. This Division also handles contracts, human resource management, public information requests, and computer and telecommunication systems.

The Land Use and Mobile Source Division include the SMAQMD's Communication Office, Land Use Section, and Mobile Source Section. The Communication Office provides public information, media support and information outreach to the community. The Land Use Section provides air quality analysis and commentary on development projects within Sacramento County. The Mobile Source Section develops and implements market-based innovative programs to reduce emissions from on- and off-road mobile sources in Sacramento.

The Program Coordination Division includes the Plan Coordination Section which handles planning and emissions inventory. The Technical Services Section includes air monitoring, emission reduction credit (ERC) bank, and rule development.

The Stationary Source Division includes the Permit Section which handles local air quality permits, federal Title V permits, and the air toxics program. The Field Operations Section ensures compliance with permit conditions and SMAQMD rules and regulations.

SMAQMD Proposition 1B: GMERP Implementation History

The SMAQMD has been implementing Proposition 1B: Goods Movement Emission Reduction Program funding since the program's inception and has taken an active role in developing the guidelines with ARB staff.

Goods Movement in the Sacramento region is a major source of emissions. The SFNA includes three main trucking corridors – Interstates 5 & 80 and CA 99 – and main line freight rail traffic along the Union Pacific Rail Road.

The SFNA also includes the Union Pacific J.R. Davis Yard in Roseville, CA which is the largest rail yard in the Western United States and a major source of criteria pollutants and toxic air contaminants. The California Air Resources Board (ARB) prepared comprehensive multi-year "Roseville Rail Yard Study Report" in October 2004 to evaluate the potential health risks caused by locomotive diesel PM emission in the vicinity of the community surrounding the J. R. Davis Rail Yard located in Roseville, California. ARB's analysis concluded that approximately 25 tons of diesel PM were emitted from locomotive activity at the Yard in 2000. The Service area around the maintenance shop generates 8 tons per year of diesel PM emissions. The hump and trim area had the second highest area of emissions with 7.5 ton per years of diesel PM. These emissions have resulted in increased concentrations of diesel PM in Placer and Sacramento Counties with increased potential cancer risk levels occurring over a large area. The predicted cancer risk impacts are greatest adjacent to and northwest of the Roseville Rail yard. Increased exposure is estimated to occur over a 100 square mile area. The elevated risk levels associated directly from the Roseville Rail yard can impact about 140,000 to 155,000 persons residing with 46,000 to 56,000 acre area from the Roseville rail yard. While more recent studies have shown that diesel PM emissions for the Yard had been reduced by 55 percent at the end of 2010, significant work still needs to be done to further reduce emissions in the area and protect the surrounding community.

The SMAQMD has worked extensively with private trucking fleets in Northern California and with the Union Pacific Rail Road to fund 442 truck replacements and retrofits totaling \$21,208,368 in Proposition 1B funding and repower 15 locomotives totaling \$9,346,052 respectively.

All incentive programs run by the SMAQMD include extensive outreach. Early in the process, the SMAQMD developed beneficial working relationships with regional trucking fleets, local truck and engine dealers, and representatives of low emission technology providers. The SMAQMD maintains a large database of interested parties through its Clean Technology Forum public workshops. The most effective outreach is through our dealer network and word-of-mouth advertising of the program. The goal is to provide the best information to our partners to distribute through their existing customer network. Several websites are also maintained to distribute project information electronically, including marketing tools in Spanish.

The SMAQMD is staffed with 13 full time employees in the Mobile Source Incentive Program Section and can manage the additional funds that are being requested. In addition, several management and support staff are available within the District, if needed, to assist in program implementation.

Project auditing has been a critical component of the SMAQMD incentive programs since their inception. The SMAQMD maintains a staff of 4 mobile source inspectors tasked with the responsibility of surveying and auditing all funded projects to monitor compliance with contract requirements. This commitment includes the support of our administrative and legal staff as well to enforce compliance and seek all potential remedies to noncompliance. All requirements meet or exceed program requirements.

Legal Restrictions

The SMAQMD certifies that the local agency project as outlined in this application will achieve emission reductions not otherwise required by law or regulation. The SMAQMD will not request or expend program funds for equipment projects that are required as a California Environmental Quality Act or National Environmental Policy Act mitigation measure in a certified document. All locomotives funded under this application will be surplus to the requirements of the Memoranda of Understanding between the ARB, Union Pacific Rail Road, and Burlington Northern Santa Fe Rail Road. The SMAQMD will not request or expend program funds for equipment projects that are used to directly comply with existing regulations.

SMAQMD Staff Contact Information

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Local Agency Project Proposal

The SMAQMD is applying for funding under the Proposition 1B: Goods Movement Emission Reduction Program (GMERP) to reduce the impact of goods movement emissions from heavy-duty diesel vehicles and locomotives in the Central Valley Trade Corridor. According to the ARB, these two project categories represent 95% of the total goods movement emissions (NOx and Diesel PM) in the SFNA. Our agency has extensive experience implementing projects in these two categories and believes that our proposal will provide maximum emission reductions to the State of California in the most expedient timeframe.

Heavy-Duty Diesel Trucks

Total Project Funding Request:	\$20,000,000
Total Administration Funding Request:	\$1,000,000
Total Source Category Request	\$21,000,000



The SMAQMD will implement all Options as outlined in the GMERP Final 2015 Guidelines for Implementation. Equipment options will be ranked competitively against each other according to the process outlined in the GMERP Final 2015 Guidelines with the final distribution between equipment project options depending on the number and type of applications. It is the intention of staff to rank all options, using the GMOD database, against each other to obtain the maximum emission reductions and highest cost effectiveness in this source category.

This proposal is consistent with both the *2006 Emission Reduction Plan for Ports and Goods Movement in California* and regional air quality attainment goals and complements our existing mobile source incentive programs.

Program Implementation Approaches

For both Heavy-Duty Diesel Trucks and Locomotives source categories, the SMAQMD will make every effort available to solicit maximum participation. Staff will use their existing network of dealers, past participants, and outreach databases to announce the solicitation for new applications. The SMAQMD will also solicit participation from small businesses, independent owner-operators, and persons in Environmental Justice communities with the help of the California Trucking Association, California Dump Truck Owners Association, the Port of Sacramento, and other regional business and community organizations. Specific timing of outreach will be identified in the Project Schedule section. Samples of previous marketing and outreach information are in Appendix C.

Local Agency Provisions to Customize Proposal

The SMAQMD is proposing a provision to customize this proposal as described in the Final 2015 Guidelines for Implementation Chapter III.C.2. Project implementation approaches and use of contractors.

The SMAQMD is proposing to designate truck dealerships as contractors for the purpose of performing equipment inspections. This would occur under limited circumstances which would be evaluated on a case-by-case basis. It is the intent of the SMAQMD that all inspections will be performed by its field operation inspection staff. There may be exceptional conditions in which the SMAQMD's staff may be unable to perform required inspection(s). In these cases, the SMAQMD may contract with a dealership to perform the required inspection(s).

The SMAQMD is proposing to require that truck stops and distribution centers eligible for funding be located within the trade corridor where the local agency has jurisdiction.

Funding Demonstration

Local Agency Fiscal Ability

The SMAQMD has run mobile source incentive programs since 1996 and has a long standing history of successfully completing thousands of projects. All funding distributed to projects will come solely from GMERP funding with no local matching funds. The most recent SMAQMD Comprehensive Annual Financial Final Fiscal Audit is included in Appendix D.

All administration funds received under the GMERP will be used for tasks associated with outreach, marketing, implementation, audit, and oversight associated with the requirements of the GMERP Final 2015 Guidelines for Implementation. The SMAQMD is committed to employ a robust and effective implementation of the GMERP including extensive community outreach to ensure maximum utilization of funding, especially to small businesses and Environmental Justice communities. It is also the intent of the SMAQMD to promote potential reductions in greenhouse gas emissions from projects to reduce the impacts of global climate change.

Heavy-Duty Diesel Trucks Source Category

Replace a combination of 444 heavy-duty vehicles according to the requirements in the GMERP Final 2015 Guidelines and as outlined in the GMERP database.

Total Local Agency Project Cost: **\$41,000,000**

Total Program Funds Requested from ARB: **\$21,000,000**

Equipment Project Cost	\$20,000,000
Administration Funds	\$1,000,000
Total Funds	\$21,000,000

Total Private Match Funding (Participant Cost Share): **\$20,000,000**

No other local match funding will be used in this project. All participants are required to identify the source(s) of their cost share at time of application, including cash payments, financing information, and other grants/credits used to reduce the equipment purchase price.

Air Quality Benefits

Project Estimated Emission Reductions and Cost Effectiveness according to the GMOD Database:

Estimated PM Reductions	0	lbs
Estimated NOx Reductions	6,260,000	lbs
Total Program Bond Funding Requested	\$21,000,000	
Benefits per State Dollar Invested	0.30	lbs/\$

Staff Resources

The SMAQMD employs 94 full and part-time staff to implement its programs. The Mobile Source Group of the Land Use / Mobile Source Division consists of 13 full-time staff including 3 supervisors specifically to implement mobile source emission reduction programs. Staff consists of 6 project engineers who review and process funding applications and develops new strategies to reduce air emissions and 4 mobile source inspectors who inspect and audit proposed and existing projects and perform marketing and outreach.

Each project manager can manage about 100 to 200 pieces of equipment per year and anywhere from \$3 million to \$10 million in funding. The number of equipment and funding amounts per person vary on the

project category and type. The 4 mobile source inspectors conducted over 1,900 inspections in 2012 and will incorporate the additional GMERP projects into their normal inspection schedule.

The Administration Division of the SMAQMD provides support for mobile source programs including fiscal/accounting staff, computer assistants/database management staff, and clerical support staff. The Legal Counsel provides legal support to the SMAQMD. Outside resources may also be used to supplement the efforts of SMAQMD staff to implement programs.

The SMAQMD has been running Mobile Source Incentive Programs such as SECAT, Moyer, LESBP, and GMERP (rounds 1, 2 & 4) since 1996, and has the experience and resources to manage the additional funds. The SMAQMD will adjust resources as needed to meet the requirements of the GMERP including all mandatory and procedural deadlines.

Project Schedule

The project schedule contained in the GMERP database is preliminary and is subject to change if needed. The SMAQMD will meet all mandatory deadlines for obligations and expenditures as required in the GMERP Final 2015 Guidelines for Implementation

Local Agency Project Implementation Demonstration

The SMAQMD will use the following Project Implementation Demonstration for all source and equipment categories under the Proposition 1B: Goods Movement Emission Reduction Program.

1. Community and public participation
 - a) Community meetings

The SMAQMD held a community meeting on Wednesday, July 22, 2015 from 1:00 PM – 3:00 PM at the Sacramento Metropolitan Air Quality Management District, 777 12th St., 3rd Floor, Sacramento, CA. Staff performed a mass electronic outreach campaign to our list serve of approximately 1500 business groups, dealer networks, and government contacts to reach businesses and community organizations, including several environmental organizations. With the assistance of our Communications Office, a media advisory was sent to ethnic and English list, including Spanish radio and Spanish television.

A period of time was allowed for comments and questions from attendees. We received one question about the funding amounts available for heavy-duty truck replacement projects. Copies of the presentation, attendance list, and comments are included in Appendix B.

The SMAQMD commits to co-hosting with ARB staff community meetings in the trade corridor as outlined in the GMERP Final 2015 Guidelines for Implementation Chapter IV.A.1 to provide updates on the implementation of the SMAQMD project.

- b) Public and interested stakeholder participation

The SMAQMD application shall include a description of the SMAQMD's strategy for involving the public and interested stakeholders during the implementation of the proposed SMAQMD project.

The SMAQMD shall identify mechanisms for the public to provide input to the SMAQMD on the equipment project solicitations, the competitively ranked list of equipment projects, the periodic progress reports, and the equipment project status updates on the ARB website (and the SMAQMD website, if applicable).

c) Public website

The SMAQMD maintains a public website containing the following information:

- A link to ARB's Program website (<http://www.arb.ca.gov/gmbond>).
- Information pertaining to equipment project solicitations.
- The competitively ranked equipment project list(s) when available.

The SMAQMD website is located at: <http://www.airquality.org/mobile/goodsmovement/index.shtml>

2. Equipment project marketing tools

The SMAQMD uses marketing strategies that specifically target the owners of Program eligible equipment covered by the SMAQMD project, and operating in the trade corridor (regardless of where that equipment is based.) including technical and administrative assistance to equipment project applicants to help them understand and apply for equipment projects.

a) Marketing tools used by the SMAQMD include:

- Extensive database of past project participants and interested parties
- Development of FAQ, maps, and handouts to explain the application process
- Coordination with community and business interest groups to discuss funding opportunities
- Training local truck dealerships about the program to provide outreach to their customers

b) Outreach to independent truck owner/operators

For truck programs, the SMAQMD has worked extensively with the entire trucking industry to implement its many incentive programs. In the Sacramento region, many independent owner/operators own and operate the oldest trucks which will typically qualify for the most incentives. To meet the requirements of this section, the SMAQMD has worked with both the California Trucking Association and California Dump Truck Owners Association to provide outreach to their membership and will continue to solicit assistance from any organizations representing owner/operators in California.

c) Information on truck efficiency upgrades

The SMAQMD will make information available to equipment owners regarding upgrades to improve fuel efficiency, especially for long-haul trucks. Technologies that improve fuel efficiency for trucks may include devices that reduce aerodynamic drag and rolling resistance. Aerodynamic drag may be reduced using devices such as cab roof fairings, cab side gap fairings, cab side skirts, and on the trailer side, trailer side skirts, gap fairings, and trailer tail. Rolling resistance may be reduced using single wide tires or low-rolling resistance tires and automatic tire inflation systems on both the tractor and the trailer. These upgrades offer the potential to cut emissions of greenhouse gases and criteria pollutants, with a two to three year payback period through lower fuel costs. The benefits are variable based on the type of truck operations.

Staff will attempt to solicit truck owners who may be interested in including efficiency upgrades that fit their operating profile when purchasing a new truck with bond funding under this Program.

d) Outreach to small businesses for infrastructure construction

The SMAQMD will solicit for all funding options under the Heavy Duty Truck category including Electrification and Hydrogen Infrastructure for Truck Stop or Distribution Center and will comply with the requirements for outreach to small business for infrastructure construction.

3. Solicitation of equipment projects

The SMAQMD will provide for more than one solicitation for each Program grant in the case that the grant funding is not fully allocated in the initial solicitation.

The documentation on the solicitation process will include, but is not limited to, the following:

- Start and end dates for the equipment project application period.
- A list of materials in the information packet (see below).
- A solicitation schedule with milestones.

The SMAQMD will make an information packet available to equipment owners who may be interested in applying for funding. This packet shall include the equipment project application, plus materials that describe all of the following:

- Application submittal information (how, where, by when, to whom).
- The Program and purpose for the solicitation.
- The equipment eligible for Program funding, including equipment project requirements and conditions (e.g. equipment inspections and any associated requirement for the equipment owner to bring equipment to a designated location, 90% or 100% California operation, scrap old equipment, legally binding contract and contract terms, etc.).
- Limits on available funding per piece of equipment.
- Equipment application disclosure language and clear statement that new or newer equipment funded by this program can only be purchased or ordered once the contract is signed between the equipment owner and SMAQMD.
- The equipment project review and competitive ranking process for equipment projects.
- The payment process, including invoice payments and direct payments to vendors (as applicable).
- Remedies for contract non-performance.
- The reporting requirements.
- The ongoing equipment evaluation and auditing process.

4. Review of equipment project applications

The SMAQMD shall review equipment project applications for eligibility and content, including whether an application is submitted in good faith, credible, or in compliance with the Program Guidelines.

At minimum, the SMAQMD review of equipment project applications will include:

- Assignment of a unique equipment project number for tracking purposes as specified by ARB staff.
- Verification of the equipment owner's eligibility to participate in the Program.
- Verification that the proposed equipment project is consistent with the Guidelines.
- Determination that all data and information necessary to calculate benefits and costs consistent with approved ARB methods are included.

5. Match funding for equipment projects

The SMAQMD will not provide match funding for any projects under this application. Private match funding and other cost share information will be required with the application.

6. Competitive ranking and selection of equipment projects

The SMAQMD will use the GMOD database to develop a competitively ranked list of eligible equipment projects. This process will be applied to competing equipment projects within each source category.

The SMAQMD will submit ranked lists to ARB staff for approval prior to selecting projects for funding or requesting project funds from ARB. The process for generating an approval of a ranking list may be revised by ARB staff as needed.

The SMAQMD shall publish the list of competitively ranked projects on the agency website and provide a link to ARB's Program website.

The SMAQMD will maintain an equipment project backup list comprised of the projects on the competitive ranking list that did not receive funding. Equipment projects on this backup list are available for Program funding, in the order established on the competitive ranking list, if additional funds become available. Funds may become available when an equipment project selected for funding doesn't pass the pre-inspection, when an equipment owner voluntarily withdraws from the Program prior to execution of an equipment project contract, or for other reasons.

As funding becomes available, SMAQMD staff will make a reasonable effort to contact the equipment owner with the top unfunded equipment project on the competitive ranking list to (a) determine if the owner is still interested in participating in the Program, and (b) obtain an updated signed equipment project application disclosure statement to verify that the equipment owner has not applied for Program funds elsewhere. If the SMAQMD is unable to proceed with the top equipment project after a reasonable effort, the agency may proceed with the next equipment project on the backup list.

7. Compliance check

The SMAQMD will conduct compliance checks for all truck replacement, or repower projects proposed for funding prior to executing an equipment project contract to ensure the equipment owner does not have any outstanding air pollution-related equipment violations. The compliance checks will be on the old equipment (mobile source violations) and on the equipment owner (stationary source violations).

To complete the mobile source compliance check, the SMAQMD will enter the following information into the Goods Movement Online Database for each truck:

- Name of registered owner of the equipment.
- Name of the equipment operator (if different)
- Vehicle identification number.
- Vehicle license plate number.

The SMAQMD may, at its option, also enter the following information into the database:

- California Highway Patrol number (CA Number).
- U.S. Department of Transportation number
- Interstate Commerce Commission number.

If the compliance check indicates there is an outstanding ARB citation or violation that is a result of the improper use or maintenance of a compliant engine, the applicant has the ability to correct the violation and pay applicable fines prior to the execution of an equipment project contract. Such violations may include, but are not limited to the following:

- An engine control label (ECL) violation.
- An opacity violation.
- An idling violation.
- A smoke inspection violation.

If the compliance check indicates there is an outstanding ARB enforcement investigation, or an investigation is opened during the time prior to funding, ARB will determine whether the applicant may

maintain eligibility. The SMAQMD will inform the equipment owner in writing of ARB's eligibility determination.

8. Equipment project pre-inspections

The SMAQMD will conduct and document equipment project pre-inspections after it has identified equipment projects for funding under this Program. Pre-inspections will occur prior to the execution of an equipment project contract and must be conducted by SMAQMD equipment inspectors or their designated contractors.

The pre-inspection for each source category will, at a minimum, include:

- Collection of the owner's name, address and telephone number.
- Identification of the location of the engine (business, ship berth or truck facility).
- Collection of the serial number of the baseline engine and any additional information necessary to assist in the verification of the baseline engine application information. For engines without a visible and legible serial number, the SMAQMD inspector must attach a metal tag with a unique serial number to the engine that will be permanently affixed to the engine until the final salvage inspection.
- Photographic, digital documentation for the project file of each piece of equipment being pre-inspected. The photographic documentation will include:
 - The serial number of the engine (if legible) or other unique identifying serial number.
 - License plates or other distinguishing identification that is visible on the equipment.
 - A photograph that captures a full view of the equipment being inspected (e.g. the entire truck, vessel, locomotive, etc.).
- Follow appropriate methods as described by SMAQMD policy for cataloging, referencing, storing, and easily retrieving project-specific photos.
- Verification by meter reading of the equipment usage (hours or miles).
- Verification that the engine is operational (with a start-up) and is working as described in the equipment project application (document function and use).

9. Notifications to equipment owners

The SMAQMD will notify equipment project applicants of the status of their applications. Notifications will be in writing, and occur within a reasonable time after the end of the solicitation period.

At minimum, written notifications will include the following:

- A clear statement whether or not the equipment project is eligible for Program funds.
- If equipment project is eligible, the notification will include a clear statement indicating whether the equipment project was selected for funding or placed on the backup list.
- If the equipment project is funded, the notification will include:
 - Total Program funding amount for equipment project.
 - Information and deadlines for scheduling a pre-inspection.
 - Language indicating Program funding is contingent on passing the equipment pre-inspection.
 - Information and deadlines for executing equipment project contracts, applying for direct payments to vendors (if applicable), post-inspection requirements, deadlines to complete the project, and the process for obtaining Program funds through invoice payments.
- If the equipment project is placed on the backup list, the notification will include information pertaining to the potential for future funding of the equipment project.

If the equipment project is not being considered for Program funding, the notification will include information, if available, about the equipment owner's ability to apply for other incentive funding opportunities.

10. Provisions for lease-to-own programs

The SMAQMD may implement a lease-to-own program(s) as part of the truck replacement option for Other Heavy-Duty Trucks. Lease-to-own programs will comply with the following minimum requirements:

- The equipment project application must be signed and submitted by the owner of the new truck, and must include information on the truck to be replaced and the proposed lessee.
- Equipment project contracts will hold both the equipment owner and lessee legally liable (i.e. jointly and severally) for complying with the contract and Program requirements.
 - The equipment project contract may allow certain provisions to apply solely to the equipment owner (e.g. financial requirements) or lessee (e.g. operational requirements), so long as the SMAQMD maintains the ability to enforce all remedies for non-performance under the contract, including the recovery of funds or repossession of the truck, if necessary.
 - The SMAQMD may also establish separate legally binding agreements with the equipment owner and the truck operator (lessee). In this case, both agreements will specify the ability of the SMAQMD and equipment owner to enforce all remedies for any lessee's non-performance under an equipment project contract.
- Grant funds will only be used to offset the capital cost of the truck and will reduce the principal owed by the lessee to purchase the truck. The owner will not impose a charge on the lessee for any portion of the Program funds as a component of the lease payments. The owner may set a lease payment schedule that recoups his or her out-of-pocket investment to purchase the new truck and a reasonable rate of interest over the term of the lease. Equipment project funds will not be applied toward the owner's administration costs.
- As a remedy for the non-performance of a lessee under the equipment project contract, the truck owner, with SMAQMD approval, may transfer the truck to a new lessee, so long as the new lessee agrees to sign an equipment project contract under the same provisions, for the remaining contract term.
- A truck project participating in a lease-to-own program will be subject to the same Program requirements as any other truck competing for funding under that SMAQMD project. If the funded SMAQMD project includes multiple equipment project options, or multiple implementation approaches, a SMAQMD will not preferentially fund trucks in the lease-to-own program – they must compete against all other truck projects within that source category and trade corridor.

The SMAQMD will work with the ARB to adopt and implement specific lease-to-own programs in the Central Valley Trade Corridor, including final agreements and guidelines, prior to the funding of any lease-to-own programs funded under this application.

11. Equipment project scrap requirements

The SMAQMD will ensure that old equipment is scrapped (permanently removed from service) and associated materials disposed of in an environmentally acceptable manner, in accordance with the GMERP Final 2015 Guidelines for Implementation and any applicable federal, state or local laws, regulations or requirements.

The SMAQMD will be responsible for implementing procedures for collecting all necessary information prior to scrap/disposal activities (e.g. during the pre-inspection). All information collected and recorded will be readily accessible to verify that scrap and disposal procedures were conducted for the appropriate engine, vehicle, vessel or locomotive. Documentation will be available to ARB, or its designee to support ongoing program evaluations or audits as necessary.

The following procedures must be implemented for all repower and replacement projects:

- Prior to destruction, old equipment must be in operable working condition as documented in the equipment pre-inspection. The inspector must be present to personally verify equipment and engine operation prior to the final destruction of the engine or must be provided documentation and photographic evidence of the equipment before the engine is destroyed.
- The old equipment engine block (for repower projects) or vehicle, including the frame and engine (for replacement projects) will be physically destroyed in such a manner to eliminate the possibility of future operation. Engine blocks will be punctured, and the vehicle frame structure will be dismantled, cut and/or demolished to render the equipment useless to prevent repeated use.
- Licensed dismantlers are required to enter into an agreement with the SMAQMD to qualify for participation. Dismantlers are required to be licensed by the Department of Motor Vehicles (DMV) (for auto dismantlers), and have also a valid California Environmental Protection Agency (Cal/EPA) Hazardous Materials Generators Permit. In addition, the dismantler must ensure compliance with any federal, state and local material disposal requirements, regulations, permits or requirements.
- Funding is not available for any salvage or material disposal costs, including hazardous waste abatement fees, labor costs, fines, permits, or other charges resulting from destruction or disposal.
- All equipment to be scrapped must have a complete, visible, and legible serial number or a unique serial number tag applied at the time of pre-inspection by the SMAQMD inspector.
- The SMAQMD or its designee must obtain digital documentation, see below, to ensure the engine identified in the equipment contract and the pre-inspection is the one that is to be scrapped. This documentation includes specific pictures to be taken before the engine is destroyed as well as photos after the engine is destroyed.

The destruction of any engine without a verifiable serial number or unique serial number applied to the equipment at the time of the equipment pre-inspection does not fulfill the scrappage requirement under this Program.

The SMAQMD must ensure the following additional requirements for each piece of equipment is undertaken:

Heavy Duty Diesel Trucks

(For truck replacements subject to scrappage)

- The licensed dismantler must dismantle and destroy the old vehicle's engine and destroy within 60 days of receipt. The engine destruction must be done in accordance with program guidelines.
- The SMAQMD or its designee must provide digital photographs, described below, showing the destruction of the old engine. The SMAQMD must receive these photos within 10 business days of the engine being scrapped.
- The digital photos as specified in the guidelines will be taken and labeled for the project file:
- Cut the old vehicle frame rails to ensure that the vehicle will not be used again.
- Have digital photo documentation to show the old vehicle was dismantled/ destroyed.
- The equipment owner must file a VIN hold with DMV, and a "Non-Repairable Vehicle Certificate" with the DMV and submit a copy to the SMAQMD at the time of the post-inspection.

12. Equipment project post-inspections

The SMAQMD will conduct and document equipment project post-inspections on all funded equipment projects. The post-inspection will occur before final grant funding payments are made by the SMAQMD to the equipment owner, and after the SMAQMD has a valid invoice from the equipment owner.

If the equipment project was approved for a direct payment to a vendor, the post-inspection will occur within 30 days of the equipment owner receiving the fully operational equipment (unless otherwise stated in the specific post-inspection requirement table).

Post-inspections for all equipment projects will include, but are not limited to, the following requirements:

- Collection of the equipment owner's name, mailing address and telephone number.
- Verification of equipment application information with new equipment to ensure the new equipment is consistent with the equipment described in the equipment application.
- Documentation of new equipment identifiers and specifications (e.g. VIN number for new trucks, serial numbers for new engines, etc.)
- Digital photographic documentation of the equipment that is being post-inspected for the project file. This documentation will include:
 - A photograph of the serial number of the engine;
 - A photograph of the license plates or other distinguishing identification that are visible on the equipment; and
 - A photograph that captures the full piece of equipment that is being inspected.
- Follow appropriate methods for cataloging, referencing, storing, and easily retrieving specific equipment project documentation and photographs.
- Visual witness and verification that the vehicle/engine/equipment is operational as stated in the contract. The inspector must visually witness and verify all engine start up and mobile equipment projects operating properly.

In addition to the general post-inspection requirements above, additional post-inspection requirements for each source category and equipment project option are listed below:

Heavy Duty Diesel Trucks

Option Repower or Replacement

- Vehicle type.
- Vehicle identification number (VIN).
- Vehicle make, model, model year.
- Gross vehicle weight rating (GVWR).
- Fuel type.
- Vehicle license plate.
- CA highway patrol number.
- Engine family name and number.
- Engine make, model year, engine year.
- Copy of ARB Executive Order documenting that the new engine is certified to 2010 emission levels for this Program.

13. SMAQMD non-performance provisions

The SMAQMD will be held responsible for the implementation of the project. SMAQMD will comply with all non-performance provisions and requirements included in Chapter II.F.7 of the GMERP Final 2015 Guidelines for Implementation.

14. SMAQMD requests to ARB for grant funds

The SMAQMD will request grant funds from ARB by submitting a valid Grant Expenditure Request by an authorized SMAQMD representative acting under a fully executed SMAQMD Project Grant Agreement according to the expenditure requirements and provisions detailed in Chapter II.E.10 of the GMERP Final 2015 Guidelines for Implementation.

15. Processing invoices and requests from equipment owners for payment, including direct payments to vendors

With the exception of approved direct payments to vendors as described below, the SMAQMD will only expend Program funds through invoice payments. Invoice payments provide Program funding to equipment owners on a reimbursement basis.

After receiving a satisfactory post-inspection from the local agencies on completed equipment projects, equipment owners will complete and submit itemized invoices for currently operational new engines, vehicles, or pieces of equipment to the SMAQMD for reimbursement. An invoice will be itemized to include enough detail to ensure that the SMAQMD provides reimbursement only for eligible project costs, yet be clear and concise enough to be understandable. The SMAQMD will review the itemized invoice and only pay for eligible expenses up to the funding caps established by these Guidelines and the SMAQMD project grant agreement.

Equipment owners will not request or receive payments for engines, vehicles, equipment, or electric infrastructure that are non-operational; taxes; consulting services; license; registration; insurance, or any other costs not eligible for Program funds. Most labor expenses are not eligible for payment with Program funds; some exceptions are labor to make necessary modifications and install the new engine in a truck, and labor to install the electrical infrastructure to supply a truck pedestal. Whether reimbursable with Program funds or not, labor expenses will be included in the itemized invoice with the detailed number of hours charged and the hourly wage.

Equipment owners may submit a single, itemized invoice for multiple, completed equipment projects under this Program.

Invoice payments may be made directly to the equipment or engine dealer or distributor only if such payment arrangements are specified in the equipment project contract. The SMAQMD will maintain copies of all invoices and documentation of payment in the equipment project file.

a) Direct payment to vendor

The SMAQMD will expend Program funds through invoice payments (described above) or according to the direct payment to vendor option described in this section.

- The direct payment to vendor option is only available to truck retrofit and replacement equipment projects.
- Local agencies will approve all direct payment to vendor requests as part of their equipment project competitive ranking and selection process. Equipment owners are required to request direct payment funding in the equipment project application.
- Direct payment terms will be incorporated in the legally binding equipment project contract between the SMAQMD and equipment owner.
- The equipment project contract will include terms specifying arrangements for the SMAQMD payments to go directly to the engine, or truck dealer or manufacturer.

16. Earned interest

The SMAQMD will track the amount of interest earned on Program funds held in SMAQMD accounts beginning immediately after receipt of Program funds from ARB.

a) Calculation of earned interest

The SMAQMD will maintain accounting records (e.g. general ledger) that track interest earned and expenditures on Program funds.

- If the SMAQMD chooses to keep its Program funds in a non-segregated account, the SMAQMD will maintain accounting records that first separates program funds from other funds administered by the SMAQMD and then further separates earned interest and the related expenditures.
- The calculation of interest will be based on an average daily balance or some other reasonable and demonstrable method of reallocating the proceeds from the fund back into the program.
- Earned interest will be tracked such that it is separately identifiable from other program funds.
- The SMAQMD's methodology for calculating interest from GMERP funding will be consistent with how it calculates earned interest for its other fiscal programs.

b) Reporting requirement for earned interest

The SMAQMD will indicate the amount of interest earned and expended on all Program funds in the semi-annual report. Documentation of earned interest generation and expenditure will be retained for a minimum of the local agency project grant agreement term plus two years or date of the final equipment project invoice payment plus three years, whichever is longer.

c) Earned interest expenditure provisions

The SMAQMD will expend interest earned from Program funds on eligible equipment projects in the following priority:

- The first priority for expenditure will be to fund equipment project options within the same source category identified in the grant agreement.
- If the SMAQMD is unable to find or fund equipment project options within the source category, the earned interest may be applied to equipment project options within the funding category identified in the grant agreement.

If the SMAQMD is authorized to use a portion of the grant for administration funds, the SMAQMD may use up the maximum allowed by these Guidelines for that source category to implement additional projects with the earned interest. If the SMAQMD is unable to expend all or a portion of the earned interest, the remaining earned interest will be returned to ARB for re-allocation.

17. SMAQMD Reporting Requirements

The SMAQMD will obtain, verify, and submit to ARB all local agency and equipment project reporting information as outlined in the GMERP Final 2015 Guidelines for Implementation.

a) Quarterly data updates

The SMAQMD will submit to ARB quarterly data updates on all local agency projects and the equipment projects associated with each. The SMAQMD will submit these updates using the GMOD Database when available.

SMAQMD quarterly data updates will begin at minimum one quarter after the execution of the grant agreement, and continue until the SMAQMD provides ARB with its project completion report (see below). These quarterly data updates will be cumulative, reflecting the most current SMAQMD project information.

Quarterly data updates to ARB will include the following information:

- Start and end dates of most recent equipment project solicitation.
- Updates to each equipment project application received by the local agency through the solicitation process, including:
 - Equipment project application information.
 - Equipment pre-inspection information.
 - Funding status (selected for funding, not funded).
 - Equipment project contract information.
 - Equipment post-inspection information.
 - Equipment project status (active/withdrawn/ineligible).
- Total Program funds obligated.
- Total Program funds expended/remaining (breakdown by project funds and administration funds).
- Total interest earned.

b) Semi-annual report

The SMAQMD will submit to ARB semi-annual reports through the GMOD database or another method established by ARB.

SMAQMD semi-annual reports will begin the year following initial ARB payment of funds to the SMAQMD, and continue for the term of the local agency Project Grant Agreement. ARB staff may standardize the submittal dates for these reports and notify local agencies. The SMAQMD will submit semi-annual reports on the schedule established by ARB.

At minimum, the semi-annual report will include the following data:

- All data required in the quarterly report.
- Amount of interest earned from Program funds.
- Recaptured fund activity (see Chapter IV.C.).
- The anticipated costs of the local agency project compared to the total estimated cost in the grant agreement.
- Actions undertaken to ensure funded local agency project is being implemented according to budget allocations or a plan for achieving the benefits of the project by either down-scoping the project or by identifying alternative funding sources to meet any identified cost increases and remain within budget.
- The anticipated duration of the local agency project compared to the original schedule at the time the grant agreement was executed.
- Status of equipment project tracking efforts to ensure compliance with operating conditions, including the results of the annual reports submitted by the equipment owners (once available). The results of the equipment owner's annual reports shall be submitted annually, on a schedule to be determined by ARB.
- Status of equipment owner reporting compliance.
- A document signed by the local agency's Chief Administrative Officer, Chief Financial Officer, or Program Grant Administrator verifying that the equipment project and financial data submitted in the report is complete, accurate, and that there are no known instances of fraud.
- Any other information request by ARB staff.

c) SMAQMD project completion report

The SMAQMD will submit to ARB a local agency project completion report on the full SMAQMD liquidation of Program funds identified in an executed SMAQMD project grant agreement. The project completion report will be submitted no later than six months following the full SMAQMD liquidation of

Program funds under the SMAQMD project grant agreement. This report will provide information regarding the specific SMAQMD expenditure of Program funds on administration and equipment project costs.

At minimum, the SMAQMD project completion report will include the following, as applicable, based on specific guidance from ARB staff:

- The final costs of the local agency project compared to the total estimated cost in the grant agreement.
- The duration of the local agency project compared to the original schedule at the time the grant agreement was executed.
- The performance outcomes of the project (number of pieces of cleaner equipment and reductions in PM and NOx emissions) compared to the performance benchmarks identified in the grant agreement.

18. SMAQMD participation in program and fiscal audits

The SMAQMD will fully participate in any and all program and fiscal audits for projects funded under the GMERP and will commit to:

- Ensure that program files and other requested information are readily available to audit staff.
- Participate in the entrance and exit interviews and ensure that local agency or equipment owner staff is cooperative with audit staff.
- Communicate fully with audit staff throughout the course of an audit.
- Make every effort, including requesting assistance from ARB if necessary, to ensure that identified deficiencies are promptly and effectively rectified.

To assist ARB with the audit process, the SMAQMD will provide to ARB staff, upon request, access to documentation pertaining to the Program which includes, but is not limited to, the following:

- General
 - Organization charts
 - Contact information for the Program and accounting designated liaisons.
 - Copies of grant agreements (with amendments) between ARB and the SMAQMD, and contracts between the SMAQMD and the equipment owner.
 - Reports filed with ARB, if applicable.
- Accounting records:
 - General ledger chart of accounts.
 - Copies of the policies and procedures for:
 - Receipt and deposit of project funds.
 - Review, approval, and payment of project invoices.
 - Calculation and allocation of program administration costs.
 - Tracking and allocating interest earned on the Program.
 - Reports from the general ledger showing receipts, expenditures, interest earnings, and annual balances for projects during the audit period.
 - Copies of audit reports covering financial statements, operations, and internal controls during the audit period.
 - Access during fieldwork to the following accounting records:
 - Invoices/claims from the SMAQMD to ARB for Program payments, and invoices from equipment owners to the SMAQMD.
 - Receipts/deposit slips showing payments received from ARB.
 - Invoices from subcontractors/consultants to the SMAQMD or equipment owner.
 - Canceled checks or other expenditure documents supporting payment to the subcontractors/consultants.
 - Bank statements and reconciliations throughout the audit period.

- Program Records:
 - Reports that list all projects associated with the programs showing:
 - Equipment project number.
 - Subcontractor and consultant contact information.
 - Dates, check numbers, amounts, and funding sources for each equipment project expenditure.
 - Fiscal year of the funding appropriation for the applicable grant agreement
 - Copies of any and all records prepared by the SMAQMD, the equipment owner, and any third parties involved in the application, review, inspection, scrappage, or payment steps.
 - Copies of the SMAQMD procedures for review, approval, and submittal of subcontractor invoices for payment.
 - Access during fieldwork to the following Program project records:
 - Contracts between the SMAQMD or equipment owner and the subcontractors/consultants.
 - Invoices from subcontractors/consultants to the SMAQMD or equipment owner.
 - Requests to SMAQMD's accounting for payment of project invoices.

The SMAQMD will retain all records subject to the recordkeeping requirements for SMAQMD projects. Retained records will include, but are not limited to: SMAQMD file reviews of annual equipment project reports, annual reports provided by equipment owners, any relevant project updates provided by equipment owners, documentation of equipment inspections, and other relevant information.

The SMAQMD will provide access to all required records and personnel with knowledge of such records to the ARB, the Department of Finance, the Bureau of State Audits, or any authorized designee during normal business hours, to conduct Program and fiscal audits.

The SMAQMD will evaluate equipment projects on an ongoing basis. The ongoing evaluation process is designed to meet the accountability requirements of SB 88 and the Governor's Executive Order S-02-07.

SMAQMD evaluation efforts will include, but are not limited to: ongoing desk reviews of reports and equipment project updates provided by equipment owners, review of electronic monitoring unit data (as applicable), site inspections, equipment inspections, review of equipment maintenance and activity logs, and other measures deemed appropriate by ARB or the SMAQMD.

Equipment owners will permit the SMAQMD, ARB, the Department of Finance, the Bureau of State Audits, or any authorized designee, access, during normal business hours, to conduct ongoing evaluations for the purpose of monitoring the Program.

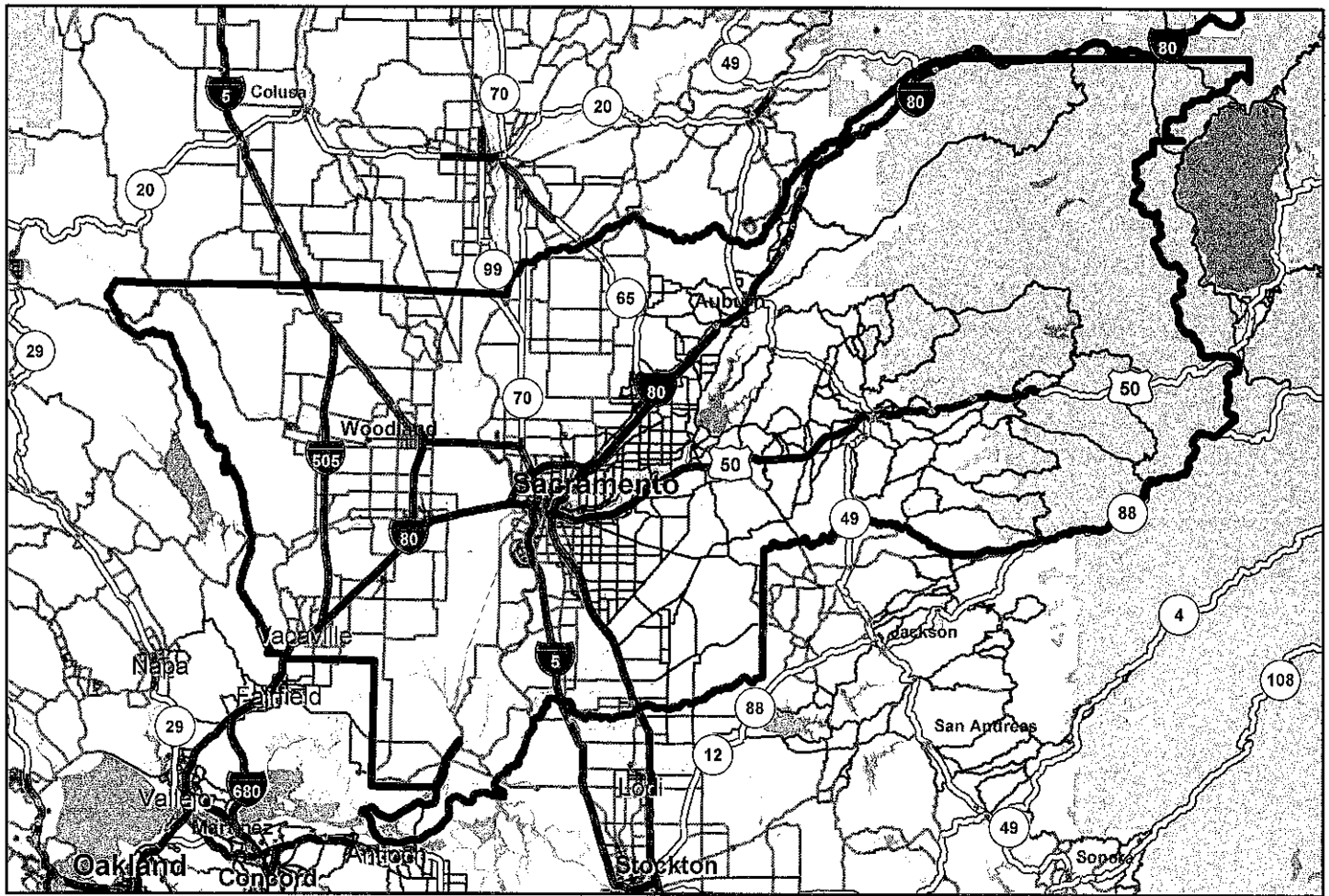
Local Agency Board Resolutions

The Board of Directors of the Sacramento Metropolitan Air Quality Management District met on April 24, 2008 to approve the resolution 2008-021 authorizing participation in the GMERP and all subsequent authority delegations. A copy of the resolution is included in Appendix E.

Appendix A

Map of Sacramento Federal Nonattainment Area

MAP OF THE SACRAMENTO FEDERAL NONATTAINMENT AREA (SFNA)



SACRAMENTO METROPOLITAN



AIR QUALITY
MANAGEMENT DISTRICT

Appendix B

Goods Movement

Community Meeting Information

Proposition 1B Grant Application Public Workshop

July 22, 2015

[illegible]

**Proposition 1B Agency
Application Public Workshop**

Strategic Incentive Group
Sacramento Metropolitan AQMD
July 22, 2015

Presentation Overview

- SMAQMD and Regional Air Quality
- Proposition 1B Funding
- Past Experiences
- Regional Priorities
- Proposed Funding Application
- Questions & Answers

Sacramento Metropolitan AQMD


- The SMAQMD is the government agency in Sacramento County responsible for regulating air pollution
- Manage other programs designed to help region meet EPA and ARB health-based standards
- Regional incentive funds

SACRAMENTO METROPOLITAN
AIR QUALITY
MANAGEMENT DISTRICT

Regional Air Quality

- The Greater Sacramento region suffers from high levels of ozone and particulate matter which impacts human health and the local economy
- Air pollution comes from cars, trucks, locomotives, industry, and wood-burning fireplaces and stoves
- Sacramento needs emission reductions to meet federal air quality targets and to improve regional health
- Almost 50% of our regional pollution comes from Goods Movement

Previous 1B Funding



- Most fleets operating near Sacramento
- Replaced or retrofit 442 heavy-duty trucks
- \$21,208,368 in heavy-duty truck funding
- Replaced 15 locomotives
- \$10,300,000 in locomotive funding

Regional Priorities

- Most of the Goods Movement emissions in Sacramento come from heavy-duty trucks and diesel freight locomotives
- The SMAQMD has extensive experience working with these business sectors in past incentive programs
- Incentive funding will provide early compliance with Truck & Bus Regulation and EPA Locomotive Rebuilds
- New guidelines offer significant grants for zero-emission technology to meet climate change goals

Proposed Funding Application

- Heavy-Duty Diesel Trucks
 - \$20 million
 - Funding small fleet truck replacement and alternative fuel truck purchases
- Locomotives & Rail Yards
 - \$55 million
 - Funding Tier 4 locomotives for line-haul, regional, and switcher applications

Other Categories

- The SMAQMD has yet to receive interest in the following categories:
 - Ships at Berth and Cargo Handling Equipment
 - Commercial Harbor Craft
 - Zero-Emission Transport Refrigeration Units
- Interested stakeholders should submit comments if funding is desired for these categories in the Sacramento/Central Valley Trade Corridor

Regional Funding Update

- SECAT Guideline Changes – Fall 2015
- Ongoing Carl Moyer Program for Off-Road Diesel
- District seeking new funding sources to support mission goals



Contact Information

- Kristian Damkier, Air Quality Engineer
 - kdamkier@airquality.org
 - (916) 874-4892
- SMAQMD Website
 - <http://www.airquality.org/>
- ARB Proposition 1B Website
 - <http://www.arb.ca.gov/bonds/gmbond/gmbond.htm>

Questions & Answers

Appendix C

Marketing & Outreach Samples

Proposition 1B: Goods Movement Emission Reduction Program

Sacramento Metropolitan AQMD Funding Application Public Workshop Notice

The Sacramento Metropolitan AQMD (SMAQMD) is holding a public workshop to present and solicit comments on our proposed application for funding under the Proposition 1B: Goods Movement Emission Reduction Program through the California Air Resources Board. The SMAQMD is proposing to apply for funding to reduce emissions from on-road heavy-duty vehicles and locomotives operating in the greater Sacramento region trade corridor.

If funded, the SMAQMD would solicit individual applications for projects at a later date. While staff may be able to answer questions about potential equipment owner applications, this workshop is to discuss the agency's application for funding under the Proposition 1B program.

Workshop Details:

Date & Time: Wednesday, July 22, 2015 from 1:00 PM—3:00 PM

Location: 3rd Floor Main Office & Conference Room

Sacramento Metropolitan AQMD

777 12th Street, 3rd Floor

Sacramento, CA 95814

Conference Call: (605) 475-6767—Access Code 1781936 #

Contact Information: RSVP are not required, but you can contact Kristian Damkier at (916) 874-4892 or kdamkier@airquality.org if you need special accommodations or for technical issues.

Appendix D

SMAQMD Comprehensive

Annual Financial Report

**SACRAMENTO METROPOLITAN AIR
QUALITY MANAGEMENT DISTRICT**

SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

**PREPARED BY:
FISCAL DIVISION**

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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INTRODUCTORY SECTION

December 30, 2014

Chairman, Governing Board and Citizens
Of the Sacramento Metropolitan Air Quality Management District

State law requires that local governments publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the Sacramento Metropolitan Air Quality Management District (the District). Management assumes full responsibility for the completeness and reliability of all of the information presented in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of its knowledge and belief, District management asserts that this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by James Marta & Company LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are included in the Schedule of Expenditures of Federal Awards section.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Sacramento Metropolitan Air Quality Management District

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. It is one of 35 local or regional air quality districts in California. It has been designated by the Environmental Protection Agency as part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts.

The District Governing Board is composed of 14 members, including all five Sacramento County Supervisors, four members of the Sacramento City Council, one member each from the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the cities of Galt and Isleton. The Board appoints the agency's Executive Officer and District Counsel.

In spite of a huge increase in population over the last two decades, the Sacramento region's air quality has continued to improve. Although the SFNA is still home to some of the worst air quality in the nation, progress has been made even as standards have tightened. Air quality in the SFNA currently does not meet the federal health standards for ozone and PM_{2.5} as well as the more stringent California standards for ozone and particulate matter (PM₁₀).

A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance summer smog formation and effectively trap pollutants in the Basin. Wintertime particle pollution occurs on cold nights with calm winds where temperature inversions trap pollutants near the ground, particularly wood smoke from fireplaces and wood stoves and motor vehicle exhaust.

The SFNA has relatively few "smokestack" industries compared to the Bay Area and Southern California. Even if all of these stationary sources were to shut down, it's unlikely that SFNA could meet air quality standards, particularly the tougher state standards.

Mobile sources include cars, trucks, delivery vehicles and big rigs. It also includes "off-road" sources, such as construction, mining, and agricultural equipment. In 2014, these mobile sources are projected to contribute about 47% of our Volatile Organic Compounds (VOC) and 82% of our Oxides of Nitrogen (NO_x) emissions, while stationary (industrial) sources contribute about 25% of our VOC emissions and 14% of our NO_x emissions. State and federal regulations will help to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future, but as growth in our region brings more vehicles in, mobile sources will continue to be a major factor in our air quality problem.

The District is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

The annual budget serves as the foundation for the District's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. Budgets are adopted on a budgetary basis that includes encumbrances and expenditures.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. The District maintains an accounting system of purchase requests and contracts at the fund level as a means to accomplishing budgetary control.

Open requests and contracts are reported as a reservation of fund balance at the end of the fiscal year. Purchase requests and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

As reflected in the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

The District General Fund does not receive property tax support. Approximately 35% of its funding is derived from fees paid by stationary sources that emit air pollution; 28% from auto registration fees collected by the Department of Motor Vehicles and distributed to air districts throughout the State in support of motor vehicle emission reduction programs; 23% from federal, local government and State subventions; 9% from sales tax; 3% from civil settlement; and the remainder from other earnings.

To meet its program commitments, despite increased workload complexity, the District has successfully streamlined many of its operations, reducing the cost of its programs. While the District does not fully recover its activity costs from fees, support in the form of state subvention, federal grants, and other revenues offset much of the shortfall.

The following are key factors that are likely to affect revenues and expenditures:

- The unemployment rate in Sacramento County is 6.6%, down from a high of 13% in January 2010. As business activity and employment increases, revenues from permits and fees are expected to increase.
- The Sacramento Transportation Authority has projected sales tax revenues from Measure A to increase 5% annually over the next five years.
- DMV and Moyer funding, which would have sunset in 2015, was reauthorized until 2024 with the passage of AB8.
- In fiscal year 2013-14, the employer contribution rates to the District's pension system increased slightly due to poor market performance and changes to CalPERS actuarial assumptions.

Long-term Financial Planning

Management annually reviews and updates a five-year financial projection that evaluates the potential internal, external and programmatic changes that can be implemented over the next fiscal year and beyond. Proposed changes are currently being evaluated and will be recommended as part of the 2015/2016 budget.

As a result of a fee study conducted in April 2009 by KPMG, the District Board approved a fee increase as part of the 2013-2014 budget. As the fees have the potential to increase over the next four years, District staff will continue to evaluate the need for fee adjustments. Subsequently, permit fees may be adjusted for the consumer price index (CPI) to help keep pace with rising costs.

The District plans to hold expenditures at current levels into the next several years. As the economy improves and District revenues increase, the long-term financial plans will be reevaluated. Of key importance will be an evaluation of District staffing, which was restricted during the recession and may need a slight increase to support the improving economic conditions. Any staff changes will be carefully reviewed and supported by increased revenues.

Major Initiatives

During the next year, the AQMD will continue to work toward meeting non-attainment goals for ozone. Since mid-2012, EPA has recognized that Sacramento has met three federal air quality standards, the federal 1 hour ozone standard (October 2012), and PM10 (September 2013). Sacramento must continue to make progress and look for additional opportunities to meet the 2008 ozone health standard. Reducing ozone pollution will remain an important and core program of the District and region for many years. While EPA recognized Sacramento met the PM2.5 standard in 2013, in December 2013 historically dry weather conditions caused Sacramento to be just above the 2006 federal PM2.5 standard. While it has been a significant challenge, controlling pollution from wood smoke on key days in the fall and winter is expected to continue to be a key strategy and essential to attaining the PM2.5 standard.

The District, in cooperation with other local partners, completed a Bike Share Business Plan for the Sacramento region in October 2013. Bike share systems provide users point-to-point transportation for short distances. Bikes can be rented from a kiosk, ridden to another location, and returned to any other bike share kiosk in the network. The District received federal funding to form the necessary organization to work with cities, communities, transit agencies, and the business community to implement a system in the region by mid-2016. The District will provide on-going financial support for the system.

The District, with its local partners (cities, counties, SACOG), will continue responding to Climate Change as an issue, and specifically to regulatory and legislative changes that impact the District. In addition, the District is working in partnership with other Air Districts through CAPCOA, with the Air Resources Board, and nationally with the National Association of Clean Air Agencies to ensure that local communities have the ability to shape their local response to climate change within the context of their local economic, structural and political framework. Moreover, it is important that state and federal agencies provide resources to local communities to help with inventories and planning to respond to this critical issue. The District must also ensure that climate change regulatory and incentive efforts are supportive of the District's long-term criteria pollutant mission, and that public health is not adversely impacted by otherwise well-meaning global warming initiatives.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both GAAP and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. The District believes its current report continues to meet the Certificate of Achievement program requirements and is submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the CAFR was made possible by the dedicated services of the accounting and management staff of the Administration Division. These members have the District's sincere appreciation for the contribution made in the preparation of this report. Recognition is also given to the Governing Board for their leadership and support, and to all employees of the District who continue to push technology and improve operations to accomplish the District's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "L. Greene".

Larry Greene
Executive Director

A handwritten signature in cursive script, appearing to read "M. Sinkevich".

Michael Sinkevich CPA
District Accountant/Controller



Government Finance Officers Association

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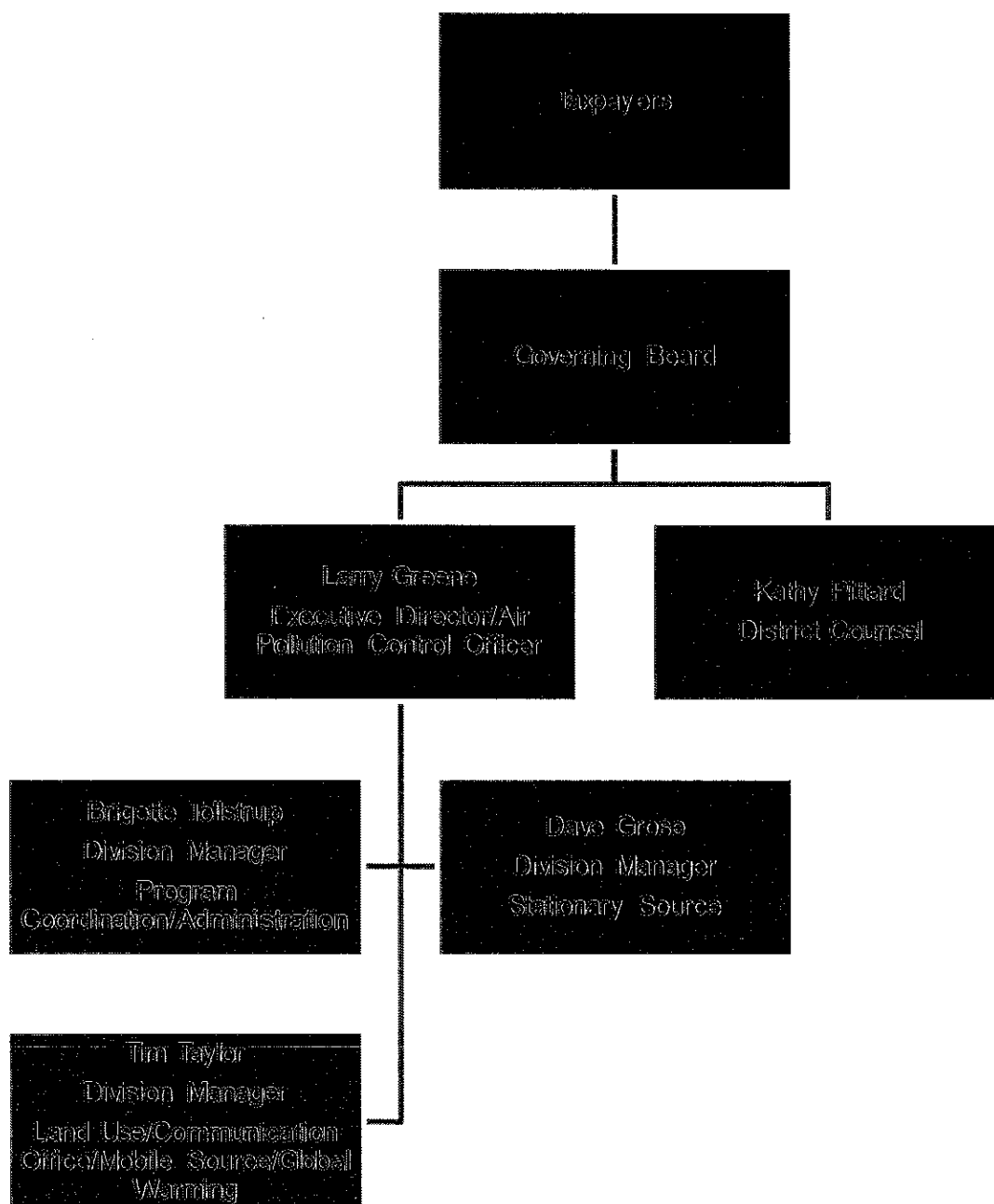
**Sacramento Metropolitan
Air Quality Management District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO



SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

SACRAMENTO COUNTY BOARD OF SUPERVISORS

PHIL SERNA
CHAIR OF THE AQMD

JIMMIE YEE

SUSAN PETERS

ROBERTA MACGLASHAN

DON NOTTOLI

COUNCIL MEMBERS

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CITY OF SACRAMENTO

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SUE FROST
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CITY OF ELK GROVE

JEFF STARKY
CITY OF FOLSOM

MARK CREWS
CITY OF GALT

DONALD TERRY
CITY OF RANCHO CORDOVA

EXECUTIVE DIRECTOR

LARRY GREENE

FINANCIAL SECTION



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sacramento Metropolitan Air Quality Management District
Sacramento, California 95814

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sacramento Metropolitan Air Quality Management District as of June 30, 2014, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (pages 4-10), the Budget to Actual Comparisons (page 38-39), and the Schedule of Funding Progress for OPEB (page 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financials statements of the District. The accompanying "Schedule of Expenditures of Federal Awards" is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Sacramento Metropolitan Air Quality Management District.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

As management of the Sacramento Metropolitan Air Quality Management District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for fiscal year ended June 30, 2014. Please read it in conjunction with the accompanying transmittal letter, the basic financials statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- The assets of the District exceeded its liabilities by \$22,074,398 (*net position*).
- The District's total net position increased by \$778,998. This increase was due largely to increased revenues due in part to a permit fee increase passed by the Board of Directors at the beginning of the fiscal year ended June 30, 2014. Federal revenues also increased from an additional grant received for a Near Road air monitoring station. Other revenues received by the District also increased as a result of an improving economy.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of \$20,338,670, an increase of \$524,246 over the prior year resulting from increased permit, federal and other revenues.
- For the year ended June 30, 2014 the District did not incur any additional debt.

B. Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes grants and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

user fees and charges (*business-type activities*). The governmental activities of the District include air pollution rule development and enforcement, public outreach, incentive programs, and various other air quality management activities. The business-type activities of the District include management and leasing of a building the District owns and occupies.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both of the Governmental Fund Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16.

Proprietary fund

The District maintains a proprietary fund for the operation and maintenance of the headquarters building. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's Proprietary Fund Financial Statements for the District's building and rental activities can be found on pages 17-19 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20-37 of this report.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's final budget to actual comparison. Required supplementary information can be found starting on page 38.

C. Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,074,398 at the close of the most recent fiscal year. The schedule below presents a condensed Statement of Net Position as of June 30, 2014 compared with the prior fiscal year.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT'S STATEMENT OF NET POSITION (in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other assets	\$ 30,707	\$ 29,157	\$ 1,207	\$ 1,725	\$ 31,914	\$ 30,882
Capital assets	654	765	4,879	4,404	5,533	5,169
Total Assets	31,361	29,922	6,086	6,129	37,447	36,051
Current liabilities	11,664	9,604	202	304	11,866	9,908
Non-current liabilities	25	27	4,261	4,041	4,286	4,068
Total Liabilities	11,689	9,631	4,463	4,345	16,152	13,976
Net Position:						
Invested in capital assets, net of related debt	654	765	113	93	767	858
Restricted	19,864	18,733	416	416	20,280	19,149
Unrestricted	(846)	793	1,094	1,275	248	2,068
Total net position	\$ 19,672	\$ 20,291	\$ 1,623	\$ 1,784	\$ 21,295	\$ 22,075

By far the largest portion of the District's net position (87%) represents resources that are subject to external restrictions on how they may be used. These funds are restricted to expenditures for specific activities. Approximately 4% of the District's net positions reflect its investment in capital assets used by the District (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding.

The remaining portion of the District's net position (9%) is unrestricted which may be used to meet the District's ongoing operations and obligations to creditors.

The governmental net position increased by \$618,798 during the current fiscal year for an ending balance of \$20,290,606. The Board of Director approved a fee increase which will help to stabilize the general fund. In addition, the economy in the Sacramento area appears to be rebounding from the economic downturn.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Governmental Activities.

The following schedule shows revenues by major source, expenses by function and changes in net position for the fiscal years ended June 30, 2013 and June 30, 2014.

Sacramento Metropolitan Air Quality Management District's

Changes in Net Position

(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business -Type</u> <u>Activities</u>		<u>TOTAL</u>	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 6,393	\$ 7,340	\$ 749	\$ 796	\$ 7,142	\$ 8,136
Operating Grants and Contributions	27,056	11,231	-	-	27,056	11,231
General Revenues:						
Grants subventions	6,056	6,615	-	-	6,056	6,615
Interest	64	19	10	6	74	25
Penalties/Settlements	447	397	-	-	447	397
Total Revenues	40,016	25,602	759	802	40,775	26,404
Expenses:						
Stationary Source activities	5,739	5,748	-	-	5,739	5,748
Mobile Source activities	28,385	11,479	-	-	28,385	11,479
Program Coordination activities	3,769	3,837	-	-	3,769	3,837
Strategic Planning activities	3,678	3,772	-	-	3,678	3,772
Building operations and obligations	-	-	651	641	651	641
Depreciation	145	148	-	-	145	148
Total Expenses	41,716	24,984	651	641	42,367	25,625
Increase (decrease) in Net Position	(1,700)	618	108	161	(1,592)	779
Net position, Beginning as originally reported	21,372	19,672	1,736	1,623	23,108	21,295
Change in accounting principle	-	-	(221)		(221)	-
Net Position, beginning as restated	21,372	19,672	1,515	1,623	22,887	21,295
Net Position, ending	19,672	20,290	1,623	1,784	21,295	22,074

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Business-type activities

Business-type activities increased the District's net position by \$160,200. Key elements of this increase are as follows:

- Operating revenues from the building were \$795,771. There was a \$47,129 increase from the prior year revenue due to increase in District rent. Expenses decreased \$7,564 over prior year.
- A principle payment of \$100,000 was paid in fiscal year (FY) 13/14 for the Certificate of Participation (COP). The subsequent principle payment will increase to \$270,000 next year and approximately \$10,000 per year until COP is paid.

There was a decrease of \$20,150 in the Invested in capital assets, net of related debt for the business-type activities due to continuing depreciation of the office building and fixtures.

D. Financial Analysis of the Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources and overall health. Such information is useful in assessing the District's financial requirements.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$20,388,670, an increase of \$524,246 from the prior year. Emission Technology fund contracts are maturing resulting in increased expenditures and General fund revenues are slow to recover from the economic downturn.

Proprietary Funds

The District's proprietary fund tracks activity of the District's main office space which is wholly owned by the District. The building has several units the District leases out and these spaces are not currently leased.

Unrestricted net assets of the proprietary fund at the end of the year were \$1,274,390. The total increase in net position was \$160,200.

E. General Fund Budgetary Highlights

Over the course of the fiscal year, the District's budget was not amended.

For FY 13/14, realized revenues were \$216,041 greater than budgeted revenues. SECAT admin revenues were \$433,659 greater than budgeted. Stationary Source fees were approximately \$300,000 greater than budgeted. DMV fees were approximately \$200,000 greater than budgeted. Other miscellaneous revenues were approximately \$100,000 less than budgeted. The District has various grants that are reimbursed as expended. Federal grants were \$608,763 less than budgeted and since these grants are billed as expended there are events or reasons when expenditures will

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

be less than what is budgeted. An example would be fewer "Spare The Air" days. The District also receives incentive funds from various programs outside of state subventions.

Expenditures were \$2,103,684 less than budgeted. The District contracts with various outside entities to perform work outside the expertise of District staff. The majority of the difference from actual to budget is a result of savings in these contracts and ongoing savings measures implemented by management.

F. Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2014 amounts to \$5,168,986 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was \$353,455.

The increase in the capital assets reflects upgrades and maintenance to the District's monitoring stations, IT systems, and building.

The District did not issue any debt to purchase capital assets.

Additional information on capital assets can be found in the Notes to the Financial Statements on page 29.

Long-term Debt

At the end of the current fiscal year, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2014 was \$4,250,000

Additional information on the District's long-term debt can be found in the Notes to the Basic Financial Statements on page 30 of this report.

G. Economic Factors and Next Year's Budgets and Rates

The FY 2014/15 the general fund budget showed an increase of \$6,016,891 compared to the FY 2013/14 budget. This increase is due mainly to \$4.3 million in additional funds for a bike share program and other contract increases for \$600,000. The District has kept operating costs in check since the economic downturn. Salaries and benefits increased \$546,312, which was due to a 2% increase in staff cola, increased retirement costs, increased health costs and the addition of an administration manager. A multi-year fee increase to stationary source permits approved in FY13/14 will allow the District to replenish the stationary source fund balance.

Budgeted Emission technology revenues increased \$6,654,851. Expenditures decreased \$2,867,240 Most of these funds are provided through the state of California and are for incentive programs to reduce emissions from heavy-duty vehicles.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

For the year ended June 30, 2014 there are no foreseeable economic or political conditions that would have a material effect on the financial position of the District. Although there has been a substantial economic downturn in Sacramento County, the District does not receive property tax monies and the sales tax monies received are only 6 percent of the general fund budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

J. Michael Sinkevich, District Accountant/Controller
Sacramento Metropolitan Air Quality Management District
777-12th Street 3rd Floor, Sacramento, CA 95814.

BASIC FINANCIAL STATEMENTS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 26,718,102	\$ 1,305,972	\$ 28,024,074
Receivables	2,341,551	1,633	2,343,184
Prepays	97,370	1,347	98,717
Total current assets:	<u>29,157,023</u>	<u>1,308,952</u>	<u>30,465,975</u>
Noncurrent assets:			
Deposits with others - certificates of participation reserves	-	416,293	416,293
Capital assets			
Land and other non-depreciable assets	-	1,086,652	1,086,652
Other capital assets - net of depreciation	764,943	3,317,390	4,082,333
Total noncurrent assets:	<u>764,943</u>	<u>4,820,335</u>	<u>5,585,278</u>
Total assets:	<u>29,921,966</u>	<u>6,129,287</u>	<u>36,051,253</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	961,071	33,918	994,989
Accrued wages and benefits payable	706,411	-	706,411
Unearned revenue	7,100,871	644	7,101,515
Compensated absences - due within one year	836,022	-	836,022
Certificates of participation - due within one year	-	270,000	270,000
Total current liabilities:	<u>9,604,375</u>	<u>304,562</u>	<u>9,908,937</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	26,985	-	26,985
Certificates of participation - due in more than one year	-	4,040,933	4,040,933
Total noncurrent liabilities:	<u>26,985</u>	<u>4,040,933</u>	<u>4,067,918</u>
Total liabilities:	<u>9,631,360</u>	<u>4,345,495</u>	<u>13,976,855</u>
<u>Net Position</u>			
Investment in capital assets, net of related debt	764,943	93,109	858,052
Restricted			
Emission technology incentives	8,277,548	-	8,277,548
Land use mitigation	1,772,954	-	1,772,954
Mobile source/air monitoring	8,510,527	-	8,510,527
Air toxics	14,410	-	14,410
Stationary source permitting	(162,510)	-	(162,510)
Debt service	-	416,293	416,293
Contingency	320,000	-	320,000
Unrestricted	792,734	1,274,390	2,067,124
Total net position:	<u>\$ 20,290,606</u>	<u>\$ 1,783,792</u>	<u>\$ 22,074,398</u>

The accompanying notes are an integral part of these financial statements.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government:						
Governmental activities:						
Stationary source activities	\$ 5,747,748	\$ 5,867,492	\$ -	\$ 119,744	\$ -	\$ 119,744
Mobile source activities	11,478,921	996,018	9,141,087	(1,341,816)	-	(1,341,816)
Program coordination activities	3,836,739	68,314	1,446,883	(2,321,542)	-	(2,321,542)
Strategic planning activities	3,772,415	408,808	643,422	(2,720,185)	-	(2,720,185)
Depreciation expense - unallocated	148,389	-	-	(148,389)	-	(148,389)
Total governmental activities	24,984,212	7,340,632	11,231,392	(6,412,188)	-	(6,412,188)
Business-type activities:						
Building operations and obligations	641,653	795,770	-	-	154,117	154,117
Total primary government	\$ 25,625,865	\$ 8,136,402	\$ 11,231,392	(6,412,188)	154,117	(6,258,071)
General revenues:						
Grants and subventions - not restricted to specific programs				6,614,984	-	6,614,984
Interest				18,965	6,083	25,048
Penalties/settlements				397,037	-	397,037
Total general revenue				7,030,986	6,083	7,037,069
Change in net position				618,798	160,200	778,998
Net position - beginning				19,671,808	1,623,592	21,295,400
Net position - ending balance				\$ 20,290,606	\$ 1,783,792	\$ 22,074,398

The accompanying notes are an integral part of these financial statements.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General Fund</u>	<u>Emission Technology</u>	<u>Total Governmental Funds</u>
ASSETS			
Assets			
Cash and equivalents	\$ 11,383,303	\$ 15,334,799	\$ 26,718,102
Accounts receivable	1,797,703	543,848	2,341,551
Prepays	97,370	-	97,370
Total Assets	<u>\$ 13,278,376</u>	<u>\$ 15,878,647</u>	<u>\$ 29,157,023</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 460,843	\$ 500,228	\$ 961,071
Accrued wages and benefits payable	706,411	-	706,411
Unearned revenue	-	7,100,871	7,100,871
Total Liabilities	<u>1,167,254</u>	<u>7,601,099</u>	<u>8,768,353</u>
 Fund Balance			
Restricted for:			
Emission technology incentives	-	8,277,548	8,277,548
Land use mitigation	1,806,691	-	1,806,691
Mobile source/air monitoring	8,967,986	-	8,967,986
Air toxics	14,410	-	14,410
Stationary source permitting	209,301	-	209,301
Assigned			
Contingency	320,000	-	320,000
Unassigned	792,734	-	792,734
Total Fund Balance	<u>12,111,122</u>	<u>8,277,548</u>	<u>20,388,670</u>
 Total Liabilities and Fund Balance	<u>\$ 13,278,376</u>	<u>\$ 15,878,647</u>	<u>\$ 29,157,023</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Fund balances - total governmental funds	\$	20,388,670
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets net of accumulated depreciation have not been
included as financial resources in governmental funds activity.

These capital assets are reported in the Statement of Net
Position as capital assets of the District as a whole.

764,943

Long-term liabilities are not due and payable in the current period
and accordingly are not reported as fund liabilities. All liabilities, both
current and long-term are reported in the Statement of Net Position.

Compensated absences

(863,007)

Net position of governmental activities:

\$	20,290,606
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General fund	Emission Technology	Total Governmental Funds
<u>Revenues:</u>			
DMV surcharge	\$ 4,620,427	\$ 2,239,600	\$ 6,860,027
Sales/use tax	1,474,887	-	1,474,887
Permits and fees	6,741,800	-	6,741,800
Local government aid	995,869	-	995,869
State subvention	663,067	5,671,424	6,334,491
Federal grants	2,423,390	753,581	3,176,971
Interest	9,934	9,031	18,965
Total revenues	<u>16,929,374</u>	<u>8,673,636</u>	<u>25,603,010</u>
<u>Expenditures:</u>			
Stationary source activities	5,741,059	-	5,741,059
Mobile source activities	2,885,306	8,590,339	11,475,645
Program coordination activities	3,832,332	-	3,832,332
Strategic planning activities	3,770,076	-	3,770,076
Capital outlay	259,652	-	259,652
Total expenditures	<u>16,488,425</u>	<u>8,590,339</u>	<u>25,078,764</u>
Net change in fund balance	440,949	83,297	524,246
Fund balance, July 1, 2013	<u>11,670,173</u>	<u>8,194,251</u>	<u>19,864,424</u>
Fund balance, June 30, 2014	<u>\$ 12,111,122</u>	<u>\$ 8,277,548</u>	<u>\$ 20,388,670</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	524,246
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Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period.	259,652
--	---------

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(148,389)
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Compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds.	(16,711)
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Changes in net position of governmental activities:	<u>\$</u>	<u>618,798</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION- PROPRIETARY FUND

JUNE 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,305,972
Receivables	1,633
Prepays	1,347
Total current assets:	<u>1,308,952</u>

Noncurrent assets:

Restricted investments	416,293
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Capital assets:

Land and other non-depreciated assets	1,086,652
Other capital assets - net of depreciation	<u>3,317,390</u>
Total noncurrent assets:	<u>4,820,335</u>

Total assets:	<u>6,129,287</u>
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LIABILITIES

Current liabilities:

Accounts payable	33,918
Unearned revenue	644
Certificates of participation - due within one year	<u>270,000</u>
Total current liabilities:	<u>304,562</u>

Noncurrent liabilities:

Unearned bond premium revenue	60,933
Certificate of participation, due in more than one year	<u>3,980,000</u>
Total noncurrent liabilities:	<u>4,040,933</u>

Total liabilities:	<u>4,345,495</u>
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NET POSITION

Invested in capital assets, net of related debt	93,109
Restricted for debt service	416,293
Unrestricted	<u>1,274,390</u>
Total net position:	<u>\$ 1,783,792</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:

Rental income	\$ 732,159
Parking income	63,612
Total operating revenues	<u>795,771</u>

Operating expenses:

Repairs and maintenance costs	127,234
Utilities, security and communications	86,828
Management fees	27,601
Parking lot operations	98,528
Depreciation expense	153,019
Other expense	1,800
Total operating expenses	<u>495,010</u>

Operating income	<u>300,761</u>
------------------	----------------

Nonoperating revenues and expenses:

Interest income	6,083
Interest expense	<u>(146,644)</u>
Net nonoperating revenues (expenses)	<u>(140,561)</u>

Changes in net position	160,200
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Net position - beginning	<u>1,623,592</u>
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Total net position, June 30, 2014	<u>\$ 1,783,792</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:

Cash received from rental activities	\$ 785,559
Cash paid for goods and services	(343,898)
Net Cash provided by operating activities	<u>441,661</u>

Cash flows from capital and related financing activities:

Purchases of capital assets	(93,802)
Principal paid on capital debt	(100,000)
Interest paid on long-term debt	(146,644)
Net cash used for capital financing activities	<u>(340,446)</u>

Cash flows from investing activities:

Interest and dividends received	<u>1,175</u>
Net cash provided (used) by investing activities	<u>1,175</u>
Net increase (decrease) in cash and cash equivalents	102,390
Beginning cash and cash equivalents as of July 1, 2013	<u>1,203,582</u>
Ending cash and cash equivalents as of June 30, 2014	<u>\$ 1,305,972</u>

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income	\$ 300,761
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	153,019
Effects of changes in :	
Accounts receivable	431
Accounts payable	(1,907)
Deposits from others	(11,364)
Investments	(40)
Prepays	521
Unearned revenue	<u>240</u>
Net cash provided by operating activities	<u>\$ 441,661</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Sacramento Metropolitan Air Quality Management District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996 the District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District functions under the oversight of its elected fourteen-member Board of Directors. The District has no component units.

C. BASIS OF PRESENTATION

Government-wide financial statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type (e.g. governmental, business).

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net position records all of the District's assets and liabilities including capital assets and long-term liabilities.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

C. BASIS OF PRESENTATION (continued)

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has three major funds for reporting purposes, called the general fund, emission technology fund and the proprietary fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which includes current assets and current liabilities, and the statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The purchase of capital assets and long-term debt proceeds and payments are reflected as revenues and expenditures on these statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenditures, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – exchange and nonexchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. District exchange transactions are Proprietary Fund building rents and parking revenues, interest revenue, Rule Book sales and Planet Polluto CD sales.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Revenues – exchange and nonexchange transactions (continued)

Imposed nonexchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. Unearned revenues are recognized when resources are received or recognized as receivable before the time requirements are met. District imposed non-exchange transactions are the DMV surcharge, planning service charges, Stationary Source Permit fees and renewals, Land Use Mitigation Permits, SEED program fees, Title V Permits, Agricultural Burning Fees, Asbestos Plan Check Fees, State Toxic Emission Fees, Variances, and Settlements.

Government-mandated nonexchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary nonexchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of nonexchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. Unearned revenues are recognized when the recipient is required to use the resources in the following year thus resources provided before that period should be recognized as unearned. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement emission Reduction (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax ½%, Environmental Protection Agency Section 103, 105 grants and Near Road Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

Expenses/Expenditures

The government-wide financial statements are presented using the accrual basis of accounting, where expenses are recognized at the time they are incurred. The focus of governmental fund accounting is short-term. Therefore, expenditures are recorded when paid. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first. Then, unrestricted resources are used as needed.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net position, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three funds:

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

E. FUND ACCOUNTING (continued)

The **Emission Technology Fund** accounts for the resources accumulated and payments made for mobile source incentive awards it is budgeted as a special revenue fund.

The **Proprietary Fund** reports the ownership and operational revenues and expenses of the District's building along with the long-term debt obligations.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

On or before the last day in February of each year, all divisions of the District submit budget packages to the administrative services manager so that a budget may be prepared. At the May Board of Directors' meeting, the proposed budget is presented to the Board for review. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget must be prepared and adopted no later than the June meeting.

The appropriated budget is prepared by fund, function and division. The District's division managers may make transfers of appropriations within an object (e.g. salaries and benefits, services and supplies, capital outlay and interfund charges). Transfers of appropriations between objects require the approval of the Board. The legal level of budgetary control is the object level.

G. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. CAPITAL ASSETS

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and a useful life of greater than one year. They are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Machinery and Equipment	5-20
Buildings	39

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

I. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, a portion of sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

J. FUND BALANCE

In accordance with GASB Statement No. 54, "*Fund Balance Reporting And Governmental Fund type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used only for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

K. LONG-TERM LIABILITIES

The District reports long-term liabilities of governmental funds at face value in the government-wide financial statements, and long-term liabilities payable from proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

K. LONG-TERM LIABILITIES (continued)

In the governmental fund financial statements, debt premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L. UNEARNED REVENUE

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. Revenue that is classified as unearned has been received but is unearned at June 30, 2014. The makeup of unearned revenue is

<u>Program</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
GEMRP	\$ 7,100,871	\$ -
Miscellaneous	-	644
Total	<u>\$ 7,100,871</u>	<u>\$ 644</u>

M. REVENUE FROM BUILDING LEASES

Lease revenues reported in the proprietary fund are recorded on a straight-line basis where the sums of all the rents payable over the life of a tenant lease are reported pro-ratably over the life of the lease.

N. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements, were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column.

O. USE OF ESTIMATES

Management is called upon to use estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

P. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year balances to confirm to the current year presentation.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2014 consist of the following:

	Governmental Accounts	Proprietary Accounts	Total
Deposits:			
Balance Per Bank	\$ 632,482	\$ 128,306	\$ 760,788
Pooled Funds:			
Cash in County Treasury	26,829,371	1,177,666	28,007,037
Less: Outstanding Checks	<u>(743,751)</u>	<u>-</u>	<u>(743,751)</u>
Total Cash and Equivalents	26,718,102	1,305,972	28,024,074
Noncurrent reserves	<u>-</u>	416,293	416,293
Total Cash and Investments	<u>\$ 26,718,102</u>	<u>\$ 1,722,265</u>	<u>\$ 28,440,367</u>

Cash in Bank

The carrying amount of the District's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Cash in County Treasury

In accordance with Board of Directors resolution AQM-96-0040, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants. The fiscal year net earnings rate for this fund was approximately 0.379%. The pool is currently not rated by a nationally recognized statistical rating organization. The monies held in pooled investment funds are not subject to categorization by credit risk category.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash in County Treasury (continued)

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53601 et seq., section 53635 et seq., and the Sacramento County annual investment policy of the pooled investment fund. The funds maintained by the Treasury are authorized investments established by the California Government Code sections 53601 et seq. and 53635 et seq.

Interest Rate Risk The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years or less. At the end of June 30, 2014, Treasury's investments are in accordance with the District's investment policy. The Treasury's investment has an average days-to-maturity of 293 days and yields 0.341% as of June 30, 2014.

Credit Risk Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's and, if available, F 1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's and A 2 by Moody's, and, if available, A by Fitch. Municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIGI by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of A or better, without regard to modifiers.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Notes & Agency Obligations	5 years	100%	None
Bonds issued by local agencies	5 years	80%	None
Registered State Warrants and Municipal Notes	5 years	80%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	40%	None
Negotiable CRA Bank Deposit/Certificates of Deposit	1 year	30%	None
Repurchase Agreements	1 year	30%	None
Reverse Repurchase Agreements	92 days	20%	None
Medium Term Corporate Notes	180 days	30%	None
Share of Money Market Mutual Fund	60 days	20%	None
Collateralized Mortgage Obligations	180 days	20%	None
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS

Investments of debt proceeds held by bond trustee, Certificate of Participation (COP) Reserve in the amount of \$416,293 are included in Business-type Activities as deposits with others. These monies are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Monies in the COP Reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as , the lesser of (i) 10% of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125% of the average annual lease payment.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2014:

Governmental Funds:

Interest	\$	24,671
DMV Surcharge		1,192,481
EPA and CMAQ Grants		941,914
Mutual Settlement/Fines		4,500
Permits and fees		43,793
Local Government Aid		133,172
Miscellaneous		1,020
Total receivables	\$	<u>2,341,551</u>

Proprietary Fund:

Miscellaneous	\$	<u>1,633</u>
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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Governmental Activities				
Capital assets, not being depreciated:				
Work in Process	\$ 102,159	57,755	\$ -	\$ 159,914
Total capital assets, not being depreciated:	<u>102,159</u>	<u>57,755</u>	<u>-</u>	<u>159,914</u>
Capital assets, being depreciated:				
Equipment	2,359,107	201,897	-	2,561,004
Less: Accumulated Depreciation	<u>(1,807,586)</u>	<u>(148,389)</u>	<u>-</u>	<u>(1,955,975)</u>
Total capital assets, being depreciated:	<u>551,521</u>	<u>53,508</u>	<u>-</u>	<u>605,029</u>
Governmental Activities capital assets, net	<u>\$ 653,680</u>	<u>\$ 111,263</u>	<u>\$ -</u>	<u>\$ 764,943</u>
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 1,086,652	\$ -	\$ -	\$ 1,086,652
Total capital assets, not being depreciated:	<u>1,086,652</u>	<u>-</u>	<u>-</u>	<u>1,086,652</u>
Capital assets, being depreciated:				
Building	4,843,154	93,803	-	4,936,957
Less: Accumulated Depreciation	<u>(1,466,547)</u>	<u>(153,020)</u>	<u>-</u>	<u>(1,619,567)</u>
Total capital assets, being depreciated:	<u>3,376,607</u>	<u>(59,217)</u>	<u>-</u>	<u>3,317,390</u>
Business-type Activities capital assets, net	<u>\$ 4,463,259</u>	<u>\$ (59,217)</u>	<u>\$ -</u>	<u>\$ 4,404,042</u>

Depreciation expense for governmental activities of \$148,389 was unallocated. Depreciation expense for business-type activities of \$153,019 was allocated to building operations and obligations.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

6. LONG-TERM LIABILITIES

Certificates of Participation

In February 2002, the District issued certificates of participation in the amount of \$5,835,000, with interest rates ranging from 1.50% to 5.25%.

In March 2012, the District refunded the 2002 certificates with 2012 certificates in the amount of \$4,350,000, with interest rates ranging from 2.75% to 4.00%. Proceeds included a bond premium of \$72,382, which will be amortized over the life of the COPs. As of June 30, 2014, the principal balance outstanding was \$4,250,000.

The certificates mature as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 270,000	\$ 140,169	\$ 410,169
2016	275,000	130,631	405,631
2017	285,000	121,544	406,544
2018	295,000	112,844	407,844
2019	305,000	103,844	408,844
2020-2024	1,670,000	374,515	2,044,515
2025-2027	1,150,000	70,000	1,220,000
	<u>4,250,000</u>	<u>1,053,547</u>	<u>5,303,547</u>
Unamortized Premium	60,933	-	60,933
Totals	<u>\$ 4,310,933</u>	<u>\$ 1,053,547</u>	<u>\$ 5,364,480</u>

Total interest expense for the COPs in the fiscal year ended June 30, 2014 was \$146,644. Principal paid on the COPs in the fiscal year ended June 30, 2014 was \$100,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities					
Certification of Participation	<u>\$ 4,350,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 4,250,000</u>	<u>\$ 270,000</u>
Governmental activities					
Compensated Absences	<u>\$ 846,296</u>	<u>\$ 898,751</u>	<u>\$ 882,040</u>	<u>\$ 863,007</u>	<u>\$ 836,022</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

7. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties. There have been no significant changes in insurance coverage and no settlements or claims have been made in the last four years.

During the fiscal year ended June 30, 2014, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 8). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

8. JOINT VENTURES (Joint Powers Agreement)

The District is a member of the Special District Risk Management Authority (SDRMA), through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp and boiler and machinery insurance to its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

Total Assets	\$ 103,447,984
Total Liabilities	<u>50,078,187</u>
Net Position	<u>\$ 53,369,797</u>
 Total Revenues	 \$ 52,425,452
Total Expenses	<u>(54,701,152)</u>
Net Income (Loss)	<u>\$ (2,275,700)</u>

Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street, Suite 300, Sacramento, CA 95814.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Nature of Participation

Program	Deductible per Occurrence	Annual Coverage Limit
General Liability	\$500	\$10,000,000 Per Occurrence
Public Officials and Employees Errors	\$0	\$10,000,000 Per Occurrence/General Aggregate
Person Liability for Board Members/Directors	\$500	\$500,000 Per Occurrence/Annual Aggregate per each elected/appointed Board Member/Director
Employment Practices Liability	\$0	\$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$0	\$10,000,000 Per Occurrence/General Aggregate
Employee Dishonesty Coverage	\$0	\$400,000 Per Occurrence
Auto Liability	\$1,000	\$10,000,000 Per Occurrence
Uninsured/Underinsured Motorists	\$1,000	\$750,000 Each Accident
Property Coverage	\$0	\$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	\$1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$0	Statutory Per Occurrence

9. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

10. EMPLOYEE RETIREMENT SYSTEMS

SCERS:

On June 30, 1996, the District ceased participation in the Sacramento County Employees' Retirement System (SCERS). Vested participants were given the option of withdrawing their account balances or leaving their balances within SCERS. The District retained liability for its share of the County's bonded pension liability. The most recent actuarial valuation dated, October 30, 2007, of the District's actuarial accrued liabilities, at June 30, 2006, amounted to \$6,590,782, and there was no unfunded liability as of June 30, 2006. The District was not required to pay any share of the pension bond debt service for fiscal year 2003-2004. The District's share of the bonded liability will change based upon employee turnover and the periodic actuarial evaluation.

CalPERS:

Effective July 1, 1996, all employees began participating in the California Public Employee Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating agencies within the State of California.

The benefits for public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. All permanent part-time and full-time employees of the District are required to participate in CalPERS. A CalPERS Classic member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements). A CalPERS PEPRA member becomes eligible for Service Retirement upon attainment of age 52 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor for a classic member comes from the 2% at 55-benefit factor table. Until December 31, 2000, this factor was 2% @ 60. The benefit factor for a PEPRA member comes from the 2% at 62-benefit factor table. The years of service is the amount credited by CalPERS to a member while he or she is employed in this group. The final compensation is the monthly average of the member's last 36 consecutive months' full-time equivalent monthly pay.

CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Funding Policy

All Classic permanent part-time and full-time employees of the District are required to contribute 7 percent of their annual salary to CalPERS of which the District pays 1%. All PEPRA permanent part-time and full-time employees of the District are required to contribute 6.25 percent of their annual salary to CalPERS. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For Classic members the required employer contribution rate for the year ended June 30, 2014 was 12.145%, for PEPRA members the required contribution rate for the year ended June 30, 2014 was 6.25%. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2014 the District's annual pension cost was \$1,068,331 and the District actually contributed \$1,068,331. The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method with the contributions determined as a level percent of payroll.

Actuarial methods and assumptions

The ARC for the plan was determined as part of the June 30, 2012 actuarial valuation using the following methods and assumptions.

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Average remaining period	19 years
Inflation rate	2.75%
Asset valuations method	15 year smoothed market
Investment return	7.50%
Projected salary increases	3.30% to 14.20%, depending on age, service and type of employment
Cost of living adjustments	2.75%

Three-Year Trend Information for The District

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 952,391	100%	\$ -
6/30/2013	\$ 999,717	100%	\$ -
6/30/2014	\$ 1,068,331	100%	\$ -

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District participates in a single-employer defined benefit medical plan administered by CalPERS. The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$119 in calendar year 2014. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2014 the District had 11 retirees participating in the plan.

The District has established an irrevocable trust to pre-fund the OPEB Annual Required Contribution (ARC) with the California Employers' Retiree Benefit Trust (CERBT).

Funding Policy

The Districts MEC is set by Government Code Section 22892. Effective January 1, the CalPERS Board adjusts the rate to reflect any change in the medical care component of the Consumer Price Index (CPI).

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, which was initially implemented prospectively by the District. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

For the year ended June 30, 2014 the District funded \$60,317 into the CERBT. The current ARC rate is 0.65% of annual covered payroll.

Annual OPEB Cost

For the year ended June 30, 2014, the District's OPEB cost (expense) was \$60,317 which included the ARC and the Net OPEB Obligation at the beginning of the year.

Annual OPEB Cost	\$ 60,317
Contributions Made	<u>60,317</u>
Change in net OPEB Obligation	-
Net OPEB Obligation (Asset) - Beginning	<u>-</u>
Net OPEB Obligation (Asset) - Ending	<u>\$ -</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Annual OPEB Cost (continued)

The District's annual OPEB costs, the annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2014 and the two preceding fiscal years were as follows:

Three-Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Assets)
6/30/2012	\$ 57,491	100%	\$ -
6/30/2013	\$ 59,360	100%	\$ -
6/30/2014	\$ 60,317	100%	\$ -

Funded status and funding progress

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 1,180,932
Actuarial value of plan assets	1,247,158
Unfunded (overfunded) actuarial accrued liability (UAAL)	(\$ 66,226)
Funded ratio (actuarial value of plan assets/AAL)	105.61%
Covered payroll (annual payroll of active employees by the plan)	\$ 9,294,000
UAAL as a percentage of covered payroll	(0.71%)

Actuarial Methods and Assumptions

The ARC for the plan was determined as part of the June 30, 2013 actuarial valuation using the following methods and assumptions.

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period	15 year rolling
Inflation rate	3.00%
Asset valuation method	Market value
Investment return	6.39%
Projected salary increases	3.00%
Cost of living adjustments	2.80%
Healthcare cost trend rate	4.00%

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

12. DEFERRED COMPENSATION PLAN

The District offers its employees an elective deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits a portion of the employees' salary to be deferred into future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan contributions are invested in various investment funds selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit and use of plan participants and their beneficiaries per federal legislation dated January 1, 1999.

13. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2014 through December 30, 2014, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND – BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

			Actual	Variance with Final Budget Positive (Negative)
Revenues:	Original	Final	Amounts	
DMV surcharge	\$ 4,389,000	\$ 4,389,000	\$ 4,620,427	\$ 231,427
Sales/use tax	1,482,981	1,482,981	1,474,887	(8,094)
Permits and fees	6,665,503	6,665,503	6,741,800	76,297
Local government aid	64,325	64,325	995,869	931,544
State Subvention	1,031,371	1,031,371	663,067	(368,304)
Federal grants	3,032,153	3,032,153	2,423,390	(608,763)
Interest	48,000	48,000	9,934	(38,066)
Total revenues	<u>16,713,333</u>	<u>16,713,333</u>	<u>16,929,374</u>	<u>216,041</u>
Salaries and benefits	12,472,301	12,472,301	12,011,320	(460,981)
Services and supplies	5,939,276	5,939,276	4,217,453	(1,721,823)
Capital expenditures	180,532	180,532	259,652	79,120
Total expenditures	<u>18,592,109</u>	<u>18,592,109</u>	<u>16,488,425</u>	<u>(2,103,684)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ (1,878,776)</u>	<u>\$ (1,878,776)</u>	<u>\$ 440,949</u>	<u>\$ 2,319,725</u>

Annual budgets, as required by state statues, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EMISSION TECHNOLOGY FUND– BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

			Actual	Variance with Final Budget Positive (Negative)
Revenues:	Original	Final	Amounts	
DMV surcharge	\$ 1,900,000	\$ 1,900,000	\$ 2,239,600	\$ 339,600
State Subvention	11,308,572	11,308,572	5,671,424	(5,637,148)
Federal grants	1,272,874	1,272,874	753,581	(519,293)
Interest	120,000	120,000	9,031	(110,969)
Total revenues	<u>14,601,446</u>	<u>14,601,446</u>	<u>8,673,636</u>	<u>(5,927,810)</u>
Expenditures:				
Services and supplies	<u>8,842,468</u>	<u>8,842,468</u>	<u>8,590,339</u>	<u>(252,129)</u>
Total expenditures	<u>8,842,468</u>	<u>8,842,468</u>	<u>8,590,339</u>	<u>(252,129)</u>
Excess (deficiency) of revenues over(under) expenditures	<u>\$ 5,758,978</u>	<u>\$ 5,758,978</u>	<u>\$ 83,297</u>	<u>\$ (5,675,681)</u>

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the emission technology fund.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
6/30/2009	\$ 626,637	\$ 712,866	\$ (86,229)	113.8%	\$ 8,668,885	-1.0%
6/30/2011	\$ 1,039,114	\$ 1,097,022	\$ (57,908)	105.6%	\$ 8,685,414	-0.7%
6/30/2013	\$ 1,180,932	\$ 1,247,158	\$ (66,226)	105.6%	\$ 9,294,000	-0.7%

SUPPLEMENTARY INFORMATION SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Grant #</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
Air Pollution Control	A 00903113	66.001	\$ 970,242
	A 00903114	66.001	\$ 613,325
Surveys, Studies, Investigations, etc.	PM 98950701	66.034	\$ 46,635
National Clean Diesel-Agricultural Water Irrigation Pump Voucher Program	DE 00T75401	66.039	\$ 72,774
CAA- Special Purpose Activities - Nitrogen Dioxide Near Roadway Monitoring	XA-00T81301	66.034	\$ 45,018
National Clean Diesel Program - Repowered Union Pacific Line Haul Locomotive to Cleaner Standards	DE-00T95901	66.039	\$ 705,626
DERA Refuse Trucks	DE099T06901	66.039	\$ 79,930
<u>U.S. Highway Planning and Construction</u>			
Passed through the California Department of Transportation Highway Planning and Construction	CML -6236	20.205	\$ 643,422
Spare the Air Year 6	(009)		
Spare the Air Year 7	(009)		
Spare the Air Year 8	(011)		
Total Revenues & Expenditures related to grants			<u><u>\$ 3,176,971</u></u>

Note: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sacramento Metropolitan Air Quality Management District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

STATISTICAL SECTION

STATISTICAL SECTION

<p>This Part of the Sacramento Metropolitan Air Quality Management District's (District) comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.</p>	
Contents	Page
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	43
<p>Revenue Capacity</p> <p>These schedules present information to help the reader assess the District's own source revenue, permits and fees.</p>	49
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Districts financial activities take place.</p>	51
<p>Operating Information</p> <p>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</p>	54

Sacramento Metropolitan Air Quality Management District

Schedule 1

Net Position By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Investment in capital assets, net of related debt										
Restricted	\$ 540,968	\$ 522,329	\$ 535,979	\$ 624,503	\$ 594,518	\$ 447,263	\$ 327,593	\$ 507,625	\$ 653,680	\$ 764,943
Unrestricted	8,739,934	10,118,952	17,846,829	18,471,262	16,840,972	20,451,561	20,834,838	20,864,065	19,018,128	18,732,929
Total governmental activities net position	4,246,705	4,627,737	3,422,783	3,150,700	1,142,535	946,120	-	-	-	792,734
	<u>\$ 13,527,607</u>	<u>\$ 15,269,018</u>	<u>\$ 21,805,591</u>	<u>\$ 22,246,465</u>	<u>\$ 18,578,025</u>	<u>\$ 21,844,944</u>	<u>\$ 21,162,431</u>	<u>\$ 21,371,690</u>	<u>\$ 19,671,808</u>	<u>\$ 20,290,606</u>
Business-type Activities										
Investment in capital assets, net of related debt										
Restricted	\$ 173,753	\$ 230,782	\$ 313,325	\$ 335,681	\$ 85,216	\$ 142,689	\$ 438,929	\$ 403,041	\$ 113,259	\$ 93,109
Unrestricted	-	-	-	-	431,776	427,031	433,754	424,243	416,252	416,293
Total business-type activities net position	(4,485)	107,212	287,763	323,454	802,936	990,954	762,937	909,129	1,094,081	1,274,390
	<u>\$ 169,268</u>	<u>\$ 337,994</u>	<u>\$ 601,088</u>	<u>\$ 659,135</u>	<u>\$ 1,319,928</u>	<u>\$ 1,560,674</u>	<u>\$ 1,635,620</u>	<u>\$ 1,736,413</u>	<u>\$ 1,623,592</u>	<u>\$ 1,783,792</u>
Primary government										
Investment in capital assets, net of related debt										
Restricted	\$ 714,721	\$ 753,111	\$ 849,304	\$ 960,184	\$ 679,734	\$ 589,952	\$ 766,522	\$ 910,666	\$ 766,939	\$ 858,052
Unrestricted	8,739,934	10,118,952	17,846,829	18,471,262	17,272,748	20,878,592	21,268,592	21,288,308	19,434,380	19,149,222
Total primary government net position	4,242,220	4,794,949	3,710,546	3,474,154	1,945,471	1,937,074	762,937	909,129	1,094,081	2,067,124
	<u>\$ 13,696,875</u>	<u>\$ 15,607,012</u>	<u>\$ 22,406,679</u>	<u>\$ 22,905,600</u>	<u>\$ 19,897,953</u>	<u>\$ 23,402,618</u>	<u>\$ 22,798,051</u>	<u>\$ 23,108,103</u>	<u>\$ 21,295,400</u>	<u>\$ 22,074,398</u>

Sacramento Metropolitan air Quality Management District
Schedule 2
Changes in Net Position - Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
Stationary source activities	\$ 3,231,647	\$ 4,703,166	\$ 5,091,593	\$ 5,192,799	\$ 8,954,634	\$ 6,132,920	\$ 5,823,570	\$ 5,864,304	\$ 5,739,977	\$ 5,747,748
Mobile source activities	3,017,870	6,902,841	11,450,669	11,310,141	11,652,160	13,096,491	12,207,979	34,715,045	28,384,959	11,478,921
Program coordination activities	2,600,064	2,943,252	3,883,940	3,519,465	4,581,824	4,346,725	4,286,273	3,973,143	3,768,674	3,836,739
Strategic planning activities	2,042,282	2,594,043	3,593,197	3,715,156	3,909,988	4,048,968	3,484,148	3,600,376	3,677,908	3,772,415
Depreciation expense-unallocated	80,979	103,278	112,904	138,142	149,067	165,753	140,459	125,386	144,940	148,389
Total governmental activities	\$ 10,972,842	\$ 17,246,580	\$ 24,133,303	\$ 23,875,703	\$ 29,247,673	\$ 27,790,857	\$ 26,006,429	\$ 48,328,254	\$ 41,716,458	\$ 24,984,212
Business-type activities										
Building operations and obligations	\$ 692,099	\$ 699,799	\$ 740,111	\$ 811,392	\$ 779,943	\$ 739,766	\$ 760,079	\$ 939,018	\$ 650,968	\$ 641,653
Total primary government expenses	\$ 11,664,941	\$ 17,946,379	\$ 24,873,414	\$ 24,687,095	\$ 30,027,616	\$ 28,530,623	\$ 26,766,508	\$ 49,267,272	\$ 42,267,426	\$ 25,625,865
Program Revenues										
Governmental Activities										
Changes for services										
Stationary source activities	\$ 4,976,879	\$ 4,072,422	\$ 6,163,810	\$ 4,617,658	\$ 4,808,387	\$ 4,857,740	\$ 5,297,300	\$ 4,912,279	\$ 5,451,158	\$ 5,867,492
Mobile source activities	-	5,046,606	-	-	-	361,345	532,447	703,135	824,850	998,018
Program coordination activities	204,833	612,827	(1,111,894)	41,879	136,356	136,352	84,794	84,408	96,170	68,314
Strategic planning activities	-	-	-	-	-	40,207	567,305	470,716	40,839	408,808
Operating grants and contributions	1,926,643	735,527	1,365,145	298,000	3,875,126	764,839	336,374	519,136	401,685	-
Stationary source activities	938,192	510,366	13,831,821	7,796,251	10,721,289	15,088,104	10,555,463	32,815,391	24,953,316	9,141,087
Mobile source activities	1,172,739	467,643	867,890	2,382,899	1,538,889	1,983,199	1,086,075	1,274,400	926,954	1,446,883
Program coordination activities	442,280	294,377	379,326	554,018	94,432	903,308	807,530	625,227	794,100	663,422
Strategic planning activities	-	-	-	-	-	-	-	-	-	-
Total governmental activities	\$ 9,661,576	\$ 11,449,788	\$ 22,496,158	\$ 15,699,405	\$ 22,105,339	\$ 24,403,205	\$ 18,867,228	\$ 41,404,692	\$ 33,449,072	\$ 18,572,004
Business-type activities										
Building operations and obligations	\$ 481,608	\$ 840,666	\$ 974,720	\$ 837,381	\$ 943,695	\$ 948,942	\$ 807,106	\$ 881,688	\$ 748,642	\$ 795,770
Total primary government program revenues	\$ 10,143,184	\$ 12,490,454	\$ 23,470,878	\$ 16,537,786	\$ 23,049,034	\$ 25,352,147	\$ 19,674,334	\$ 42,289,380	\$ 34,197,714	\$ 19,367,794
Net (Expense) Revenue										
Government activities	\$ (1,311,260)	\$ (5,596,812)	\$ (1,036,145)	\$ (8,185,298)	\$ (7,142,344)	\$ (3,387,652)	\$ (7,139,201)	\$ (6,923,562)	\$ (8,267,386)	\$ (6,412,188)
Business-type activities	(210,491)	140,867	234,609	25,989	163,752	209,176	47,027	(74,330)	97,674	154,117
Total primary government net (expenses) revenue	\$ (1,521,757)	\$ (5,455,945)	\$ (801,536)	\$ (8,159,309)	\$ (6,978,592)	\$ (3,178,476)	\$ (7,092,174)	\$ (6,997,892)	\$ (8,169,712)	\$ (6,258,071)
General revenues										
Governmental activities										
Grants and subventions	\$ 5,386,572	\$ 5,902,853	\$ 6,090,320	\$ 6,884,618	\$ 8,324,288	\$ 5,684,453	\$ 5,906,646	\$ 6,216,082	\$ 6,056,461	\$ 6,614,984
Interest	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424	64,378	18,965
Fines/penalties/fees	516,945	911,166	1,090,612	654,822	977,333	701,876	529,674	712,315	446,663	397,037
Transfers	(266,328)	-	-	-	(456,860)	-	-	-	-	-
Total governmental activities	\$ 5,820,301	\$ 7,338,223	\$ 8,172,718	\$ 8,626,172	\$ 9,360,274	\$ 6,654,571	\$ 6,456,688	\$ 7,132,821	\$ 6,567,302	\$ 7,030,986
Business-type activities										
Interest	\$ 23,259	\$ 27,859	\$ 28,485	\$ 32,058	\$ 40,075	\$ 31,570	\$ 27,919	\$ 175,123	\$ 10,268	\$ 6,083
Transfers	266,528	-	-	-	456,966	-	-	-	-	-
Total business-type activities	\$ 289,787	\$ 27,859	\$ 28,485	\$ 32,058	\$ 497,041	\$ 31,570	\$ 27,919	\$ 175,123	\$ 10,268	\$ 6,083
Total primary government revenue	\$ 6,109,888	\$ 7,366,082	\$ 8,201,203	\$ 8,658,230	\$ 9,857,315	\$ 6,686,141	\$ 6,484,607	\$ 7,307,944	\$ 6,577,570	\$ 7,037,069
Change in net position										
Government activities	\$ 4,509,035	\$ 1,741,411	\$ 6,334,573	\$ 440,874	\$ 2,217,940	\$ 3,266,919	\$ (682,513)	\$ 209,259	\$ (1,699,884)	\$ 618,798
Business-type activities	79,096	168,726	203,094	58,047	660,793	240,716	74,946	100,793	107,942	160,200
Total primary government	\$ 4,588,131	\$ 1,910,137	\$ 6,537,667	\$ 498,921	\$ 2,878,733	\$ 3,507,635	\$ (607,567)	\$ 310,052	\$ (1,591,942)	\$ 778,998

Sacramento Metropolitan Air Quality Management District

Schedule 3

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Restricted	\$ 9,179,982	\$ 10,118,952	\$ 13,558,198	\$ 16,637,844	\$ 10,109,530	\$ 2,838,052	\$ 12,464,452	\$ 12,489,654	\$ 11,670,172	\$ 10,998,388
Assigned	-	-	-	-	-	2,407,273	-	-	-	320,000
Unrestricted	4,246,705	5,144,677	8,295,221	5,751,365	8,666,336	7,906,636	-	-	-	792,734
Total General Fund	\$ 13,426,687	\$ 15,263,629	\$ 21,853,419	\$ 22,389,209	\$ 18,775,866	\$ 13,171,961	\$ 12,464,452	\$ 12,489,654	\$ 11,670,172	\$ 12,111,122
Emission Technology Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,064,562	\$ 9,211,835	\$ 9,267,343	\$ 8,194,251	\$ 8,277,548
Total Emission Technology fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,064,562	\$ 9,211,835	\$ 9,267,343	\$ 8,194,251	\$ 8,277,548

Sacramento Metropolitan Air Quality Management District

Schedule 4

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Taxes	\$ 5,386,318	\$ 8,003,095	\$ 8,272,593	\$ 9,069,286	\$ 9,471,327	\$ 8,025,308	\$ 7,451,650	\$ 8,071,327	\$ 7,929,307	\$ 8,334,914
Intergovernmental	4,814,156	4,554,831	14,617,951	7,754,619	13,564,665	16,038,522	11,162,826	34,081,710	25,879,092	10,507,331
Licenses/Permits	5,364,569	5,903,839	6,786,546	6,405,970	8,371,169	6,705,683	6,479,071	6,180,051	6,015,064	6,741,800
Use of Money/Property	183,162	524,224	991,786	1,086,702	515,419	268,262	230,368	204,424	193,112	18,965
Total Revenue	15,748,205	18,987,989	30,668,876	24,316,577	31,922,580	31,057,775	25,323,915	48,537,512	40,016,575	25,603,010

EXPENDITURES

Current

Stationary Sources	3,219,231	4,673,680	5,065,949	5,122,449	8,944,106	6,114,436	5,822,646	5,843,577	5,758,644	5,741,059
Mobile Source	3,011,824	6,882,379	11,432,875	11,261,327	11,647,191	13,088,034	12,207,527	34,704,891	28,394,103	11,475,645
Program coordination	2,592,506	2,924,503	3,867,636	3,474,737	4,575,926	4,334,342	4,285,664	3,959,488	3,780,971	3,832,332
Strategic Planning	2,039,431	2,585,849	3,586,072	3,695,608	3,906,272	4,041,810	3,547,825	3,643,128	3,684,435	3,770,076
Capital Outlay	179,297	84,638	126,554	226,666	119,082	18,498	20,789	305,418	290,995	259,652
Total Expenditures	11,042,289	17,151,049	24,079,086	23,780,787	29,192,577	27,597,120	25,884,451	48,456,502	41,909,148	25,078,764

Excess (Deficiency) of Revenue
over Expenditures

	4,705,916	1,836,940	6,589,790	535,790	2,730,003	3,460,655	(560,536)	81,010	(1,892,573)	524,246
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OTHER FINANCING SOURCES (USES)

Transfer Out	266,328	-	-	-	456,966	-	-	-	-	-
Net change in fund balances	\$ 4,439,588	\$ 1,836,940	\$ 6,589,790	\$ 535,790	\$ 2,273,037	\$ 3,460,655	\$ (560,536)	\$ 81,010	\$ (1,892,573)	\$ 524,246

Sacramento Metropolitan Air Quality Management District
Schedule 5
Schedule of General Government Expenditures by Major Object (Budgetary Basis)
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/Fixed Assets	Interfund Charges	Contingency	Total
03-04	\$ 6,886,307	\$ 11,617,722	\$ 121,001	\$ 432,824	\$ 106,895	\$ 19,164,749
04-05	\$ 7,340,221	\$ 8,740,742	\$ 224,100	\$ 435,672	\$ 300,000	\$ 17,040,735
05-06	\$ 8,929,314	\$ 17,878,385	\$ 281,100	\$ 436,000	\$ 300,000	\$ 27,824,799
06-07	\$ 9,500,743	\$ 26,180,780	\$ 227,500	\$ 414,682	\$ 450,000	\$ 36,773,705
07-08	\$ 10,959,562	\$ 22,329,068	\$ 360,400	\$ 840,000	\$ 450,000	\$ 34,939,030
08-09	\$ 12,183,771	\$ 13,507,796	\$ 110,400	\$ 5,142,528	\$ 450,000	\$ 31,394,495
09-10	\$ 12,199,760	\$ 8,128,192	\$ 38,000	\$ 3,851,831	-	\$ 24,217,783
10-11	\$ 11,584,777	\$ 6,425,969	\$ 43,500	\$ 1,407,642	-	\$ 19,461,888
11-12	\$ 11,946,558	\$ 6,619,728	\$ 317,000	\$ 704,652	-	\$ 19,587,938
12-13	\$ 11,997,789	\$ 5,552,842	\$ 397,000	\$ 679,789	-	\$ 18,627,420
13-14	\$ 12,472,301	\$ 5,132,405	\$ 180,532	\$ 806,871	-	\$ 18,592,109

The budgeted expenditures represent the adopted budget adjusted for Board approved modifications based on new or modified expenditures.

Sacramento Metropolitan Air Quality Management District
Schedule 6
Schedule of General Government Expenditures by Function
Last Ten Years (Unaudited)

Fiscal Year	Salaries & Benefits		Services & Supplies		Payments to Gov'ts	Interfund Charges	Capital Outlay	Total				
04-05	\$	6,637,130	\$	4,225,864	\$	-	\$	266,328	\$	179,295	\$	11,308,617
05-06	\$	8,150,698	\$	8,915,710	\$	-	\$	-	\$	84,639	\$	17,151,047
06-07	\$	8,933,557	\$	15,018,975	\$	-	\$	-	\$	126,554	\$	24,079,086
07-08	\$	9,993,878	\$	13,560,243	\$	-	\$	-	\$	226,666	\$	23,780,787
08-09	\$	11,328,021	\$	17,671,068	\$	-	\$	456,966	\$	119,082	\$	29,575,137
09-10	\$	11,619,250	\$	16,383,724	\$	-	\$	(424,353)	\$	18,498	\$	27,597,119
10-11	\$	11,456,352	\$	14,506,789	\$	-	\$	783,157	\$	20,789	\$	26,767,087
11-12	\$	11,527,097	\$	36,623,987	\$	-	\$	-	\$	305,418	\$	48,456,502
12-13	\$	11,817,905	\$	29,800,249	\$	-	\$	-	\$	290,995	\$	41,909,149
13-14	\$	12,011,320	\$	12,807,792	\$	-	\$	-	\$	259,652	\$	25,078,764

Note: Expenditures were previously reported in financial statements under the categories of Health & Sanitation (which included Salaries & Benefits, Services & Supplies, Payments to Gov'ts, Interfund Charges) and Capital Outlay.

Sacramento Metropolitan Air Quality Management District
Schedule 7
Schedule of General Government Revenues by Source
Last Ten Years (Unaudited)

Fiscal Year	Taxes	Intergovernmental	Licenses/ Permits	Use of Money &		Increase in Fair		Miscellaneous	Total
				Property	Investments	Value of	Investments		
04-05	\$ 5,386,318	\$ 4,814,156	\$ 5,364,569	\$ 183,162	\$ -	-	\$ -	\$ -	\$ 15,748,205
05-06	\$ 8,005,095	\$ 4,554,831	\$ 5,903,839	\$ 524,224	\$ -	-	\$ -	\$ -	\$ 18,987,989
06-07	\$ 8,272,593	\$ 14,617,951	\$ 6,786,546	\$ 991,786	\$ -	-	\$ -	\$ -	\$ 30,668,876
07-08	\$ 9,069,286	\$ 7,754,619	\$ 6,405,970	\$ 1,086,702	\$ -	-	\$ -	\$ -	\$ 24,316,577
08-09	\$ 9,471,327	\$ 13,564,665	\$ 8,371,169	\$ 515,419	\$ -	-	\$ -	\$ -	\$ 31,922,580
09-10	\$ 5,810,923	\$ 3,653,527	\$ 6,705,683	\$ 116,135	\$ -	-	\$ -	\$ -	\$ 16,286,268
10-11	\$ 5,498,449	\$ 3,998,568	\$ 6,479,071	\$ 59,403	\$ -	-	\$ -	\$ -	\$ 16,035,491
11-12	\$ 5,940,636	\$ 4,289,423	\$ 6,180,051	\$ 44,337	\$ -	-	\$ -	\$ -	\$ 16,454,447
12-13	\$ 5,862,442	\$ 3,637,602	\$ 6,015,064	\$ 64,380	\$ -	-	\$ -	\$ -	\$ 15,579,488
13-14	\$ 6,095,314	\$ 4,082,326	\$ 6,741,800	\$ 9,934	\$ -	-	\$ -	\$ -	\$ 16,929,374

Note-Increase in Fair Value of Investments is recorded as a result of GASB Statement No. 31.

Sacramento Metropolitan Air Quality Management District
Schedule 8
Own Source Government Revenue Base
Last Ten Years (Unaudited)

Year	Active Permits**		Actual Revenue***
2005	3,763	\$	2,525,338
2006	3,819	\$	2,665,209
2007	4,006	\$	2,656,920
2008	4,060	\$	2,381,639
2009	4,183	\$	3,345,143
2010	4,242	\$	3,501,857
2011	4,238	\$	4,366,411
2012	4,247	\$	4,224,561
2013	4,269	\$	4,419,326
2014	4,331	\$	4,754,372

Source: ** Sacramento Metropolitan Air Quality Management District
Stationary Source Data Base

*** Actual revenue from the Compass Accounting System

Sacramento Metropolitan Air Quality Management District
Schedule 9
Demographic Information
Last Ten Years (Unaudited)

Year	County Population (January 1)	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2005	1,360,816	\$ 48,922,482	\$ 35,951	5.10%
2006	1,369,563	\$ 51,575,249	\$ 37,628	4.90%
2007	1,381,161	\$ 53,769,563	\$ 38,931	5.40%
2008	1,394,438	\$ 55,206,829	\$ 39,591	6.90%
2009	1,408,601	\$ 54,434,987	\$ 38,647	12.00%
2010	1,422,316	\$ 55,176,682	\$ 38,794	12.70%
2011	1,436,262	\$ 57,996,392	\$ 40,380	12.60%
2012	1,450,121	\$ 60,668,975	\$ 41,837	10.90%
2013	(1)	(1)	(1)	8.70%
2014	(1)	(1)	(1)	6.90%

Source: California State Department of Finance
E-5 Population and Housing Estimates
Long-term Socio-Economic Forecasts by County

California Employment Development
Annual Average Employment by Industry Data

(1) Not yet available

Sacramento Metropolitan Air Quality Management District
Schedule 10
Vehicle Registrations (Automobiles & Trucks)
Last Ten Calendar Years
(unaudited)

Year	Vehicles Registered (As of December 31)
2005	1,181,625
2006	1,174,309
2007	1,165,993
2008	1,157,002
2009	1,159,910
2010	1,157,341
2011	1,141,979
2012	1,142,212
2013	(1)
2014	(1)

Source: Department of Motor Vehicles
Estimated Fee-Paid Registrations by County

(1) Data not available

Sacramento Metropolitan Air Quality Management District

Schedule 11

Principal Employers

Current Year and Ten Years Ago

Employer	2005			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	676,100	1	74%	665,600	1	74%
Farm	8,300	5	1%	8,800	5	1%
State Government	103,000	2	12%	114,700	2	13%
Local Government	109,300	3	12%	98,900	3	11%
Federal Government	13,100	4	1%	13,500	4	1%
Total All Industries	<u>909,800</u>		<u>100%</u>	<u>901,500</u>		<u>100%</u>

Source: Employment Development Department
Labor Market Information Division

Sacramento Metropolitan Air Quality Management District
Schedule 12
District Staff Position List
Last Ten Years (Unaudited)

FUNCTION:	Full-Time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Accountant I/II	1	1	1	1	1	1	1	-	-	-
Administrative Assistant I/II	1	2	2	2	2	2	2	2	2	2
Administrative/Legal Analyst	-	-	-	1	1	1	-	-	-	-
Air Pollution Control Officer/Executive Director	1	1	1	1	1	1	1	1	1	1
Asst/Assoc Air Quality Engineer	15	17	19	21.5	21.5	21.5	21.5	20.5	19.5	19.5
Air Quality Instrument Specialist I/II	3	3	3	3	3	3	3	3.0	3.0	3.0
Asst/Assoc Air Quality Planner/Analyst	10	11	10.5	10.5	11	12	11	10	10	10
Asst/Assoc Air Quality Specialist (reclass 2006 to Air Quality Specialist)	17	16.5	19	22.5	21.5	20.6	18.6	18.6	18.6	18.6
Asst/Assoc Communications/Marketing Specialist	1.85	1.85	1.85	2.85	2.85	2.85	1.85	1.85	1.85	1.90
Clerical Services Supervisor	1	1	1	1	1	1	1	1	1	1
District Accountant/Controller	1	1	1	1	1	1	1	1	1	1
District Counsel	1	1	1	1	1	1	1	1	1	1
District Counsel Legal Assistant	1	1	1	1	1	1	1	1	1	1
Division Manager	5	5	5	4	4	4	4	3	3	3
Executive Assistant/Clerk to the Board	1	1	1	1	1	1	1	1	1	1
Financial Analyst	-	-	-	-	-	-	-	1	1	1
Fiscal Assistant I/II	1	1	1	1	1	1	1	1	1	1
Human Resources Officer	1	1	1	1	1	1	1	1	1	1
Information Systems Analyst/ Information Systems Administrator	1	1	1	1	1	1	1	1	1	1
Assistant Information Systems Analyst/Information Systems Analyst	1	1	1	2	2	2	2	2	2	2
Office Assistant I/II	3	2	3	3	3	3	3	2	2	2
Personnel Assistant I/II/Human Resource Assistant II	1	2	2	2	2	2	2	2	2	2
Program Coordinator	12	12	13	13	13	13	13	12	12	12
Program Supervisor	3	4	4	5	5	5	5	5	5	5
Secretary	-	-	-	-	-	-	-	-	-	-
Senior Accountant	1	1	1	1	1	1	1	1	1	1
Senior Communications & Marketing Specialist	1	-	-	-	-	-	-	-	-	-
Statistician	1	1	1	1	1	1	1	1	1	1
Total Funded Positions	85.85	89.35	95.35	104.35	103.85	103.95	98.95	93.95	92.95	93.00

Note: Funded Positions may vary from budget due to changes in staffing during the fiscal year

Positions Unfunded

Administrative/Legal Analyst	-	-	-	-	-	-	1	1	1	1
Air Quality Engineer (LT)	-	1	1	-	-	-	-	-	-	-
Air Quality Planner/Analyst	-	-	-	-	-	-	-	1	1	1
Air Quality Specialist	-	-	-	-	-	-	2	2	2	2
Air Quality Specialist (LT)	-	1	1	-	-	1	-	-	-	-
Asst/Assoc. Air Quality Engineer	-	-	-	-	-	-	-	1	2	2
Asst/Assoc. Communications/Marketing Specialist	-	-	-	-	-	-	-	-	-	-
Division Manager	-	-	-	-	-	-	-	1	1	1
Office Assistant I/II	-	-	-	-	-	-	-	1	1	1
Program Coordinator	-	-	-	-	-	-	-	1	1	1
Total Positions Unfunded	-	2	2	-	-	1	3	8	9	9

Total Funded + Unfunded	85.85	91.35	97.35	104.35	103.85	104.95	101.95	101.95	101.95	102.00
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The FTEs were collected from the SMAQMD Budget

Schedule 13
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Business-type Activities

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Bond Premium</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita - Sacramento County based on United States Census Figures (1)</u>
2005	\$ 5,410,000	\$ 52,859	\$ 5,462,859	12%	\$ 4,011
2006	\$ 5,260,000	\$ 50,334	\$ 5,310,334	11%	\$ 3,869
2007	\$ 5,110,000	\$ 47,810	\$ 5,157,810	10%	\$ 3,737
2008	\$ 4,955,000	\$ 45,285	\$ 5,000,285	10%	\$ 3,634
2009	\$ 4,790,000	\$ 42,760	\$ 4,832,760	9%	\$ 4,713
2010	\$ 4,620,000	\$ 40,235	\$ 4,660,235	8%	\$ 3,277
2011	\$ 4,445,000	\$ 37,941	\$ 4,482,941	8%	\$ 3,121
2012	\$ 4,350,000	\$ 70,747	\$ 4,420,747	7%	\$ 3,049
2013	\$ 4,350,000	\$ 65,840	\$ 4,415,840	(2)	(2)
2014	\$ 4,250,000	\$ 60,933	\$ 4,310,933	(2)	(2)

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data

(2) Not yet available

Sacramento Metropolitan Air Quality Management District
Schedule 14
Capital Assets Statistics by Function/Program
Last Seven Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014
Monitoring Air Quality							
Number of air monitoring stations	11	11	10	10	10	10	11
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	82	82	74	76	75	77	89
Vehicles	-	-	-	-	-	19	19

Appendix E

Local Agency Board Resolution

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

AQMD Resolution No. 2008-021

WHEREAS, pursuant to Health and Safety Code Section 40961, the District is the local agency within the boundaries of the Sacramento district with the primary responsibility for the development, implementation, monitoring, and enforcement of air pollution control strategies, clean fuel programs, and motor vehicle use reduction measures; and

WHEREAS, the District is authorized by Health and Safety Code Sections 41062(a) and 41082 to implement programs to reduce transportation emissions, including programs to encourage the use of alternative fuels and low-emission vehicles; and

WHEREAS, on February 5, 1998, Resolution No. 98-0007 authorized the creation of the Heavy-Duty Low Emission Vehicle Incentive Program for the purpose of reducing emissions from heavy-duty mobile sources operating within the Sacramento Federal Nonattainment Area; and

WHEREAS, on April 26, 2001, Resolution No. 2001-020 authorized the Air Pollution Control Officer to execute funding agreements under the Heavy-Duty Low Emission Vehicle Incentive Program and to make minor modifications to the Program and associated agreements for the purpose of maintaining consistency with the state Carl Moyer Memorial Air Quality Standards Attainment Program; and

WHEREAS, in November 2006, the voters of the State of California approved Proposition 1B, which authorized the state to issue \$1 billion in bonds to fund projects to mitigate the air quality impacts of goods movement activities in California; and

WHEREAS, in August 2007, the California Legislature passed and Governor Schwarzenegger signed SB 88 and AB 201, which set forth the implementing legislation for the Proposition 1B: Goods Movement Emission Reduction Program in Health and Safety Code, Section 39625 et seq; and

WHEREAS, on February 28, 2008, the California Air Resources Board adopted the Proposition 1B: Goods Movement Emission Reduction Program Final Guidelines for Implementation, including the allocation of \$800,000 to the District for Early Grant Projects; and

WHEREAS, the District has the periodic opportunity to apply for new sources and types of funding, including but not limited to new mobile source incentive programs, to further the mission of the District.

BE IT RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to authorize the Air Pollution Control Officer to apply for any source of funding that will be used to further the mission of the District.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to authorize the Air Pollution Control Officer to apply for funding, to sign and execute local agency project grant agreements with the California Air Resources Board, and to provide any matching funds under the fiduciary control of the Sacramento Metropolitan Air Quality Management District that are identified in the project funding demonstration under the Proposition 1B: Goods Movement Emission Reduction Program.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to adopt and incorporate the Proposition 1B: Goods Movement Emission Reduction Program Final Guidelines for Implementation, including all subsequent revisions, into the Heavy-Duty Low Emission Vehicle Incentive Program, and that to the extent previous resolutions of this Board conflict with this Resolution, this Resolution will supersede the prior resolutions for all projects funded by the Proposition 1B: Goods Movement Emission Reduction Program.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to authorize the Air Pollution Control Officer to evaluate and approve projects under the Heavy-Duty Low-Emission Vehicle Incentive Program using funding received from the Proposition 1B: Goods Movement Emission Reduction Program in accordance with the Proposition 1B: Goods Movement Emission Reduction Program Final Guidelines for Implementation, including all subsequent revisions.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to authorize the Air Pollution Control Officer, in consultation with the District Counsel, to make minor modifications to the Heavy-Duty Low Emission Vehicle Incentive Program funding agreement, defined as equipment project contract under the Proposition 1B: Goods Movement Emission Reduction Program, consistent with the requirements of the Proposition 1B: Goods Movement Emission Reduction Program.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to authorize the Air Pollution Control Officer, in consultation with the District Counsel, to sign and execute funding agreements, defined as equipment project contracts under the Proposition 1B: Goods Movement Emission Reduction Program, under the Heavy-Duty Low-Emission Vehicle Incentive Program using funding received from the Proposition 1B: Goods Movement Emission Reduction Program for a maximum cumulative amount of \$250,000 per year per applicant with funding agreements exceeding this threshold requiring approval by the Board prior to their execution.

BE IT FURTHER RESOLVED AND ORDERED by the Board of Directors of the Sacramento Metropolitan Air Quality Management District to amend the 2007-2008 Emission Technology Program Budget to reflect an additional \$760,000 in funding received from the Proposition 1B: Goods Movement Emission Reduction Program and the 2007-2008 General Budget to reflect \$40,000 in administration funding received from the Proposition 1B: Goods Movement Emission Reduction Program.

ON A MOTION by Director Starsky and seconded
by Director Yee, the foregoing resolution was passed and adopted
by the Board of Directors of the Sacramento Metropolitan Air Quality Management District, State
of California, the 24th day of April, 2008.


AYES Directors Cohn, Davis, Dickinson, Hammond, Karpinski-Costa, MacGlashan,
McCarty, McGarvey, Peters, Sheedy, Starsky, Yee.
NOES Directors None.
ABSTAIN Directors None.
ABSENT Directors Clare, Nottoli.



Chair, Board of Directors
Sacramento Metropolitan Air
Quality Management District

SEAL

ATTEST:



Clerk, Board of Directors
Sacramento Metropolitan Air
Quality Management District